As filed with the Securities and Exchange Commission on October 20, 2020.

Registration No. 333-249332

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

**AMENDMENT No. 1**
**to**
# FORM S-1
# REGISTRATION STATEMENT
**UNDER**
**THE SECURITIES ACT OF 1933**

# ROOT, INC.
**(Exact name of Registrant as specified in its charter)**

| Delaware | 6331 | 84-2717903 |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification Number) |

**80 E. Rich Street, Suite 500**
**Columbus, Ohio 43215**
**(866) 980-9431**
**(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)**

**Alexander Timm**
**Chief Executive Officer**
**Root, Inc.**
**80 E. Rich Street, Suite 500**
**Columbus, Ohio 43215**
**(866) 980-9431**
**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*Copies to:*

| David Peinsipp<br>Nicole Brookshire<br>Peter N. Mandel<br>Cooley LLP<br>101 California Street, 5th Floor<br>San Francisco, California 94111<br>(415) 693-2000 | Jonathan A. Allison<br>General Counsel & Secretary<br>80 E. Rich Street, Suite 500<br>Columbus, Ohio 43215<br>(614) 591-4570 | Richard A. Kline<br>Sarah B. Axtell<br>Goodwin Procter LLP<br>601 Marshall Street<br>Redwood City, California 94063<br>(650) 752-3100 |
|---|---|---|

**Approximate date of commencement of proposed sale to the public:**
**As soon as practicable after this Registration Statement is declared effective.**

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☒ | Smaller reporting company ☐ |
| | Emerging growth company ☒ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class of Securities To Be Registered | Amount to be Registered (1) | Proposed Maximum Offering Price Per Share (2) | Proposed Maximum Aggregate Offering Price (1)(2) | Amount of Registration Fee (3) |
|---|---|---|---|---|
| Class A Common stock, par value $0.0001 per share | 27,789,192 | $25.00 | $694,729,800 | $75,796.00 |

(1) Includes the aggregate amount of additional shares that the underwriters have the option to purchase.
(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(a) of the Securities Act of 1933, as amended.
(3) The Registrant previously paid $10,910 in connection with the initial filing of the Registration Statement.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**Subject to Completion, dated October 20th, 2020**

PRELIMINARY PROSPECTUS

# 24,164,515 Shares

# Root

## Class A Common Stock

This is an initial public offering of shares of Class A common stock of Root, Inc. We are selling 22,000,000 shares of our Class A common stock. The selling stockholder identified in this prospectus is offering an additional 2,164,515 shares of our Class A common stock. We will not receive any proceeds from the sale of shares by the selling stockholder.

Prior to this offering, there has been no public market for our Class A common stock. It is currently estimated that the initial public offering price will be between $22.00 and $25.00 per share. We have applied to list our Class A common stock on the Nasdaq Stock Market under the symbol "ROOT".

Following this offering, we will have two classes of common stock: Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting, conversion and transfer rights. Each share of Class A common stock is entitled to one vote. Each share of Class B common stock is entitled to ten votes and is convertible at any time into one share of Class A common stock. All shares of our capital stock outstanding immediately prior to this offering, including all shares held by our executive officers, directors and their respective affiliates, and all shares issuable on the conversion of our outstanding preferred stock, will be reclassified into shares of our Class B common stock immediately prior to the completion of this offering. The holders of our outstanding Class B common stock will hold approximately 97.8% of the voting power of our outstanding capital stock immediately following this offering.

We are an "emerging growth company" as defined under the federal securities laws and, as such, we have elected to comply with certain reduced reporting requirements for this prospectus and may elect to do so in future filings.

***See the section titled "Risk Factors" beginning on page 22 to read about factors you should consider before buying our Class A common stock.***

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

| | Per Share | Total |
|---|---|---|
| Initial public offering price | $ | $ |
| Underwriting discount[(1)] | $ | $ |
| Proceeds, before expenses, to us | $ | $ |
| Proceeds, before expenses, to the selling stockholder | $ | $ |

(1) See the section titled "Underwriting" for additional information regarding compensation payable to the underwriters.

At our request, the underwriters have reserved for sale, at the initial public offering price, up to 1.1 million shares offered by this prospectus for sale to certain of our officers, employees and related persons through a directed share program. See the section titled "Underwriting—Directed Share Program." To the extent that the underwriters sell more than 24,164,515 shares of Class A common stock, the underwriters have the option to purchase up to an additional 3,624,677 shares of Class A common stock from us at the initial public offering price less the underwriting discount.

Funds affiliated with Dragoneer Investment Group, LLC and Silver Lake Technology Management, L.L.C. have each agreed to purchase $250.0 million shares of our Class A common stock, for an aggregate of up to $500.0 million, in private placements, in each case at a price per share equal to the initial public offering price. The sale of Class A common stock in the private placements will be contingent upon, and would close immediately subsequent to, the closing of this offering.

The underwriters expect to deliver the shares against payment in New York, New York on , 2020.

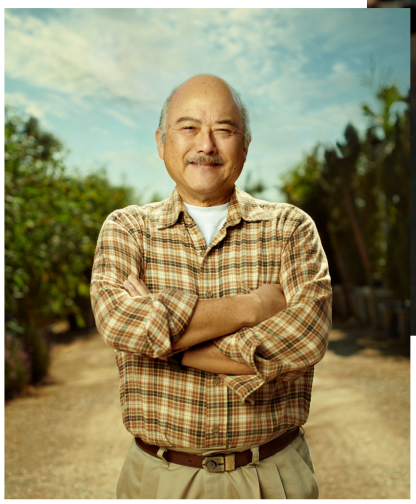
**Goldman Sachs & Co. LLC** **Morgan Stanley** **Barclays** **Wells Fargo Securities**

**Deutsche Bank Securities** **Truist Securities** **Citigroup** **Credit Suisse** **Evercore ISI** **UBS Investment Bank**

**Cantor** **JMP Securities** **Siebert Williams Shank** **Huntington Capital Markets**

Prospectus dated , 2020


Root's all
about *you*.



## Root focuses on what really matters —your driving.

Your braking, your turning, how much you drive, or how little —we focus on everything you're doing behind the wheel to make the road a safer place for all of us.

# Better drivers deserve better rates.

**Root**

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**Prospectus**



**Through and including , 2020 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.**

We and the selling stockholder have not authorized anyone to provide you with any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We, the selling stockholder and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are offering to sell, and seeking offers to buy, shares of our Class A common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our Class A common stock. Our business, financial condition, results of operations and future growth prospects may have changed since that date.

For investors outside the United States: Neither the selling stockholder, we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside of the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of our Class A common stock and the distribution of this prospectus outside of the United States.

## PROSPECTUS SUMMARY

*This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our Class A common stock. You should read this entire prospectus carefully, including the sections titled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus, before making an investment decision. Unless the context otherwise requires, all references in this prospectus to "we," "us," "our," "our company" and "Root" refer to Root, Inc., and, where appropriate, our consolidated subsidiaries. Unless otherwise indicated, references to our "common stock" include our Class A common stock and Class B common stock. References to the "selling stockholder" refer to the selling stockholder named in this prospectus.*

## ROOT, INC.

### Overview

Root is a technology company revolutionizing personal insurance with a pricing model based upon fairness and a modern customer experience.

We have built a company that recognizes each individual is unique and puts customers in control, rewarding them for their actions. For centuries, traditional insurance companies have grouped people into risk pools and long relied on the 'law of large numbers' to produce acceptable pricing on an aggregate basis. Fairness at the individual level has been largely ignored. Root is different—we use technology to measure risk based on individual performance, prioritizing fairness to the customer. The way we design and deliver insurance is not a simple tweak to the traditional insurance model—we are fundamentally reinventing insurance through technology, data science and a maniacal focus on the customer. While our opportunity is expansive and our ambition is global, our story begins with U.S. auto insurance.

We believe the $266 billion U.S. auto insurance market is ripe for disruption. Traditional methods of pooled risk assessment are not personalized and are inherently less precise given individual behavioral data is underutilized or not measured as a component of the insurance risk assessment process. Systems and processes are typically old and we believe they are disconnected from the needs of consumers. Insurance agents are the primary form of distribution for traditional insurance and generally require expensive selling commissions, which increases the overall cost to the consumer. Our initial focus on auto insurance was motivated by how well-suited we believe the product to be for fundamental improvement through technology. We believe Root is the innovator to drive this transformation.

Auto insurance is required for the vast majority of drivers in the United States and we believe it is typically the first insurance policy purchased by consumers. As a result, our auto-first strategy establishes the foundation for an expansive lifetime relationship with the opportunity to add other personal insurance lines as customer needs evolve. Our strategy has also established the technological foundation for an enterprise software offering, diversifying our revenue streams over time.

The Root advantage is derived from our unique ability to segment individual risk based on complex behavioral data, a customer experience built for ease of use and a product offering made possible with our full-stack insurance structure:

- ***Behavioral Data and Proprietary Telematics.*** Our reinvention of auto insurance is made possible by the transparent collection and analysis of driving performance, which we believe is the most powerful predictor of accidents and the leading variable in our underwriting model. By collecting and synthesizing massive amounts of rich, sensory behavioral data across thousands of driving variables, including distracted driving, we strive to price based more on causality than correlation. This allows us to price our customers' policies more fairly—and in turn they pay premiums commensurate with their individual risk profile. While the notion of telematics has been around for decades, only recently has mobile technology made the concept adoptable at large scale.

Today, we believe we are the only property and casualty, or P&C, insurance carrier with a scaled proprietary telematics solution designed to price an entire book of business. We believe we have the largest proprietary data set of miles driven, driving behavior and associated claims experience in the market. This data advantage, matching driving performance to actual claims, provides proprietary insight around accident causality, which enables us to uniquely segment risk, make smarter pricing decisions and grow our business rapidly and deliberately.

- ***Root Customer Experience.*** Our mobile-first customer experience is designed to make insurance simple. Our customers can on-board through their mobile phone in as little as 47 seconds, without touching their keyboard. Customers start by simply scanning their license in our app, answering a few questions and taking their phone with them while they drive for two to four weeks, or the test drive—with no additional hardware or dongle required. Our customers can manage policy adjustments digitally, including through intelligent chat functions. In the event of an accident, claims can be adjudicated digitally, with many repairable claims resolved and paid within 24 hours.

- ***Full-Stack Insurance Structure.*** We are a full-stack insurance carrier which affords us complete autonomy with regards to the capabilities and features differentiating our product as well as our pace of innovation. We own and control nearly every aspect of policy design, origination, underwriting, claims and back-end processing, which enables us to iterate constantly and move quickly devoid of major third-party dependencies and inefficiencies. Additionally, we have the flexibility to adjust our use of reinsurance in response to market conditions, optimizing to a "capital-light" business model. We are licensed in 36 states, of which we are currently active in 30 states, and our goal is to be licensed in all 50 states by early 2021.

Our core data capabilities underpin a business model characterized by an incredibly powerful—and accelerating—flywheel. The data we collect feeds proprietary risk scoring models that assist us in identifying what we believe to be the riskiest 10 - 15% of drivers on the road, a group we have elected not to quote thus avoiding a risk segment that is up to two times more likely to get in an accident than our average targeted customer. Instead, we strive to quote the remaining population fairly, often at a lower price than competitors, and build a more attractive book of business that then contributes even more data to our flywheel. Meanwhile we believe that traditional auto insurance companies who continue to use pooled-risk underwriting without broad implementation of telematics will be less competitive for lower-risk drivers allowing us to continue acquiring and converting this customer segment and winning market share, while leaving higher-risk drivers with competitors.

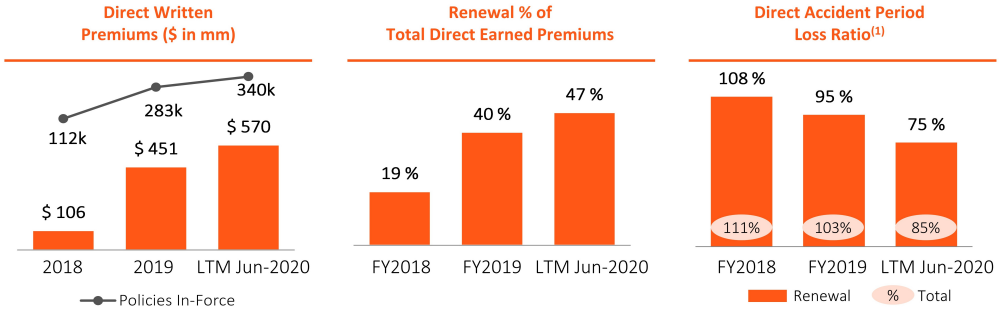
Growth is the key to unlocking the power of our total addressable opportunity. We believe the first player to reach scale with innovative data and machine-learning technology will have a profound risk segmentation and cost advantage, disproportionately taking market share. Competitors would face significant challenges to injecting an approach similar to ours into a traditional insurance model, absent a ground-up technology rebuild and years of data collection. This is the essence of the structural moat that we believe has enabled us to become a leader in this race for data-driven scale in the insurance industry.

We also have a distribution advantage as customer preferences continue migrating to direct channels, in particular mobile, where we acquire over 75% of our customers. We execute a combination of targeted digital marketing with companies such as Facebook and Google and an incredibly efficient, API-enabled partnership channel with deep integrations into captive audiences. Within digital marketing we use data science models to dynamically bid on the basis of expected lifetime value. Over time we believe the ongoing data we accumulate through growth will fuel a pricing advantage for target customers, driving improved conversion and a cost of acquisition advantage in all channels.

Our model is different from that of a traditional insurance company. We are high growth with a tangible distribution and cost-to-serve advantage. Our claims management expenses, as represented by our loss adjustment expense, or LAE, are in line with peers within only two years of bringing claims management in-house and we have room to improve as we further embed machine learning into our processes. We are realizing operating efficiencies as we scale against our fixed expense base. Our customer relationships are extending as retention grows and the cross-sell of homeowners and renters insurance accelerates. Finally, we have a "capital-light" capital management strategy

that prioritizes growth, sources efficient capital to support customer acquisition costs and utilizes risk mitigation tools to reduce exposure to tail events.

Over time we expect that our book of business will naturally mature as renewal premiums outweigh new premiums, driving profitability. Renewal premiums are characterized by lower loss ratios, and our accident period renewal loss ratio was significantly lower than our new business accident year loss ratio for the trailing 12-month period ended June 30, 2020. As our renewal premium base expands from 47% as of June 30, 2020 to align over time with an industry average of approximately 80%, we expect our direct loss ratios will fall sharply as will our marketing costs as a percent of total premium.




(1) Direct accident period loss ratio represents all losses and claims expected to arise from insured events that occurred during the period, regardless of when they are reported and finally settled. We also monitor our direct loss ratio. Changes to our loss reserves are the primary driver of the difference between our direct accident period loss ratio and direct loss ratio. For additional information regarding direct loss ratio, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Key Performance Indicators."

Our direct written premiums, or DWP, grew from $106.4 million in 2018 to $451.1 million in 2019. For the six months ended June 30, 2020, our DWP was $306.5 million. Our revenue was $43.3 million and $290.2 million in 2018 and 2019, respectively, and our net losses were $69.1 million and $282.4 million, respectively. For the six months ended June 30, 2020, our revenue was $245.4 million and our net loss was $144.5 million. See the section titled “Management's Discussion and Analysis of Financial Condition and Results of Operations — Components of Our Results of Operations”.

**Our Industry**

Insurance is one of the oldest and largest markets in the world, touching every corner of the world and protecting our most important assets. Global P&C insurance premiums amount to $2 trillion annually.

Our primary addressable market today is U.S. personal lines insurance. This market exceeded $370 billion in 2019 premiums and has grown at a 5% compound annual growth rate, or CAGR, since 2014.

Over the past century, there have been only a few waves of innovative disruption within insurance. Perhaps the most disruptive was the advent of the internet as a distribution channel in the late 1990s which redefined the personal auto insurance market. We believe the rise of digital distribution is the primary driver of the $50 billion market share shift that has accrued to direct models over the last 20 years.

We believe the next technology-driven structural shift is underway—and this time the shift is not just distribution-related but a holistic change in the way insurance is priced and delivered.

- ***The way insurance is priced.*** The opportunity to price customer protection based on individual behavior rather than demographics has been advanced by mobile engagement and advanced data science, including machine learning. We strongly believe that in the future the vast majority of drivers on the road will have an insurance policy priced with telematics, with market leaders defined by their ability to translate data into

actionable insights around underwriting and pricing. In this regard, we believe the market is on the verge of a tipping point for which industry incumbents are generally unprepared.

- ***The way insurance is delivered.*** Over the last decade billions of dollars have been spent by venture capitalists and incumbents alike on insurance innovation and technology, yet the insurance experience is essentially the same. The products offered by traditional insurers have not changed much. The majority of premiums remain distributed through agents with extensive forms and in-person interviews and not through digital or mobile channels. Almost every claim is labor intensive.

We believe innovation has been slow within the P&C insurance industry, in part, because legacy systems are difficult to build upon and nearly impossible to replace. Also impacting the pace of innovation is institutional friction, generated by, the cost and perceived risk of a requisite ground-up technology rebuild, disruption of carrier-agent relationships and the business model implications of replacing broad pool-based pricing. Our proprietary technology and business model allow us to avoid these pain points and aggressively pursue the opportunity to be at the forefront of this structural shift.

***Why We Will Win***

We believe we are best positioned to gain disproportionate market share during this disruptive evolution of the insurance industry based on the following:

- *We are mobile first, today.* Our ability to drive fair, behavioral pricing depends on mobile. Mobile affords us seamless engagement and transparent data exchange. We do not believe a scaled behavioral-based pricing model is possible without broad mobile engagement.
- *Our customer value proposition is clear.* Relating to the customer segments we target, we lead our competition in what we believe are the two most important factors in selecting an insurance provider— price and experience.
- *We benefit from a powerful flywheel.* Our data and technology-driven value proposition attracts more customers, producing more data and completing a flywheel that only strengthens our competitive advantages as it turns.
- *Our technology gives us a head start.* Individualized, behavior-based pricing is not easy. However, we have what we believe is the largest set of miles tracked with proprietary telematics and associated claims, providing what we believe to be a four-year head start and a critical first mover advantage.

These four ingredients—mobile engagement, a clear value proposition, a powerful flywheel and differentiated technology—underlie what we believe is a massive competitive advantage and a barrier to entry that is insurmountable without an investment of time, resources and expertise akin to what we have invested since our founding. The industry shift towards individual performance-based pricing has begun and we do not expect it will reverse course. According to Willis Towers Watson, 93% of Millennials are willing to share their driving data, citing the ability to control their premiums as among the most important factors; we are prepared to serve them.

**Our Behavioral Data and Proprietary Telematics**

Our data represents one of our most prominent competitive advantages because we can uniquely segment risk. Our technology platform collects vast amounts of data from disparate sources, including telematics and claims, and aggregates this data into an integrated set from which we derive proprietary insights about our customers' driving performance, most importantly around the driving behavior that causes claims. By using telematics, we put our customer in control of their premiums from the start.

***Why Telematics Matters***

Our telematics process begins with data collection, which is then synthesized into a proprietary usage-based insurance, or UBI, score, an underwriting variable that we believe is the most powerful among the variables

currently used across the industry. A UBI score consists of an ensemble of modeled variables that are influential in determining both underwriting eligibility and pricing.

While there are competing companies that collect data, synthesize behavioral scores, and price risk, we believe we are the only company performing all three functions. This is particularly important as the entire process benefits from fast-paced structural iterations, such as enhancing data collection mechanisms immediately upon observing a statistical trend.

***Telematics is the Root of our Data Advantage***

Telematics is the foundation of our data advantage and risk segmentation capabilities for the following reasons:

- *Massive data set.* The Root app analyzes thousands of driving variables and is capable of collecting many data points per second through the driver's mobile device. We have collected data from over 10 billion miles and hundreds of thousands of claims.
- *Predictive power.* We believe driving behavior is the most powerful predictor of losses, and we measure this through telematics. Over time we hope to remove all correlation variables from our pricing model in favor of a purely behavior-based approach, beginning with our initiative announced in August 2020 to remove credit scores from underwriting.
- *Foundation of our flywheel.* Our behavioral data allows us to further refine prices, typically offering our targeted customers quotes below those offered by our competitors, which drives conversion, drawing more customers and providing more data to our platform.
- *Manage loss ratios.* Effectively harnessed, telematics-based pricing models are far more accurate than models built on traditional, demographic-based underwriting variables, enabling us to segment risk and deliver lower loss ratios which we can share with our customers in the form of better prices.

***Integrating Telematics with Claims***

The hallmark of our data advantage is our integrated set of actual claims and associated proprietary telematics, which we believe to be the largest in the market. We match miles tracked, on an individual basis, with actual claims and identify a set of driving performance factors that cause, or on a relative basis are more likely to cause, accidents. For example, hard braking very often flags a near miss, an accident that almost happened. We have observed over time that drivers who report claims have typically applied hard braking at a greater frequency than drivers with a limited or no claims history. This integrated data set drives a UBI score that is almost ten times more predictive than a leading third-party provider, according to Milliman, Inc., or Milliman, an independent third-party actuarial and consulting firm.

***How our Capabilities Have Evolved***

We launched our insurance in 2016 with UBI scoring performed by a regulator-approved third-party telematics provider while we simultaneously built our own proprietary telematics solution. The third-party base case of predictive power underperformed our expectations but provided a reference point from which we measure our own scoring solution that now extends to the third generation of our UBI score, Root UBI 3.14. Each generation has represented a step change in predictive accuracy:

- *Root UBI 1.0.* Built in 2016 and leveraging 100,000 trips and over 2 million miles, but without explicit claims integration. With GPS-only input data, Root UBI 1.0 had four times the predictive power than did our original third-party solution
- *Root UBI 2.0.* Built in 2018 and leveraging 50 million trips, 700 million miles and 3,000 claims. This capability improved upon motion input, such as hard braking, by leveraging accelerometers and gyroscopes.

- *Root UBI 3.14.* Built in 2020, our latest generation delivers almost ten times the predictive power versus our original third-party solution, leveraging over 10 billion miles driven and hundreds of thousands of claims. The impact of our constantly improving predictive power is that Root UBI 3.14 is better able to identify the best and worst underwriting risks. The predictive power of Root UBI 3.14 was assessed by Milliman by evaluating the reduction in mean-squared error of predicted loss ratios, a measurement of the quality of a predictive model across an entire distribution.

It took us over two and a half years to graduate from our first generation (Root UBI 1.0) to our second generation (Root UBI 2.0) capability. Our most recent graduation, from Root UBI 2.0 to Root UBI 3.14 took less than two years and extended our predictive power to almost ten times our original third-party solution, illustrating the power of our flywheel. As we acquire more customers, aggregate more data and test and add new variables, the pace of improvement in our predictive power capabilities accelerates.

**Root Customer Experience**

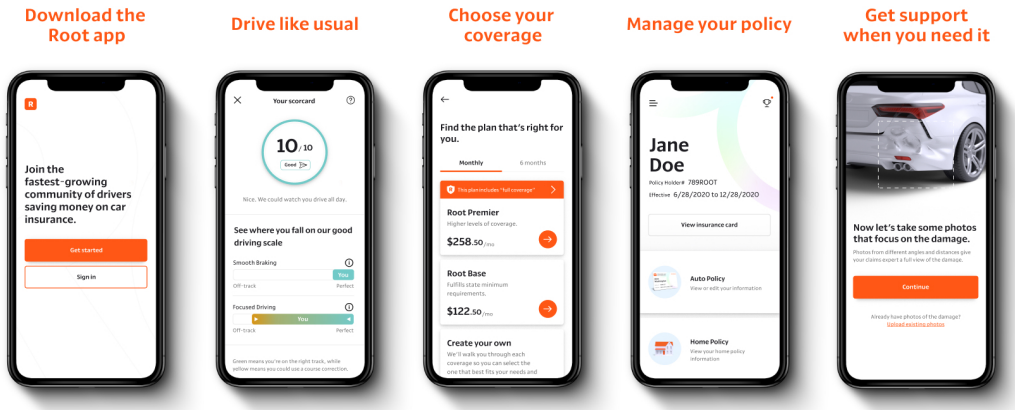
We meet our customers where they are, on their mobile phone, with a user-friendly interface and convenient, efficient experience. This is the mantra that drives our mobile-first engagement strategy and underpins both our user experience and our fundamental business model, notably around data.

Engaging our customers and prospective customers directly through the mobile device gives us access to an underutilized distribution channel, mobile, through which many incumbents have historically had difficulty profitably acquiring customers. Through our hyper-targeted, data-driven and ever-improving performance marketing capabilities, we have been able to acquire customers for below the average cost of doing so through each of the direct and agent-based channels.

A primary reason the mobile channel works for us is that we make it easy from the beginning. App installation and initial engagement is intuitive and customers can easily identify the coverage they need in everyday language, including offering bundling options which clearly lay out associated cost savings.

Mobile devices are also the foundation for collecting telematics data from our customers. Sophisticated technologies such as accelerometers and gyroscopes, originally designed to support gaming functionality on mobile devices, can extract rich sensory data, allowing us to analyze driving behavior in ways not previously possible and to thereby customize pricing.

Our mobile engagement extends across the customer experience and value chain:




The Root app is available for both iPhone and Android, making it available to 99% of US smartphone users

During our 2-4 week driving period, we gather and analyze data from your phone's sensors

We make it easy for you to identify and customize the coverage you need

Everything you need to manage your policy is in the Root app

Accidents happen – even to the best of drivers. Root makes it easy to file a claim, all via the Root app

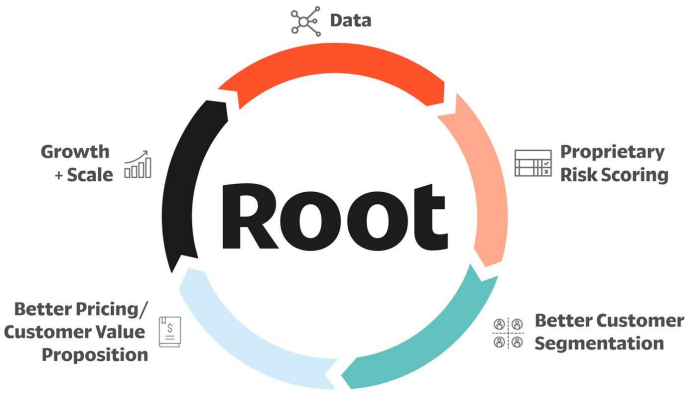
**Full-Stack Insurance Structure**

We are a full-stack insurance carrier. In substance this means we have the infrastructure to design products, and distribute, underwrite, administer and pay claims on all of our policies. In practice this means we own and control an end-to-end insurance experience and have near complete operating autonomy, subject to regulation, to grow our business.

Our full-stack carrier model supported by proprietary technology leaves us virtually unencumbered by third parties across the value chain, provides complete design and feature discretion and frees us to innovate and iterate far faster, we believe, than any of our major competitors. We view this flexibility as absolutely critical to introducing new capabilities, reinforcing customer centricity and driving growth.

In addition to our full-stack structure, we also have a captive insurance agency, Root Insurance Agency, LLC, or RIA. RIA is structured to allow us to offer new products to our customers without developing underwriting capabilities or retaining risk on our balance sheet, which facilitates our "capital-light" model.

**Our Powerful Flywheel**




As with many data-enabled businesses, we benefit from a flywheel in that additional data allows us to do our job better and fuels growth. However, in contrast to many other flywheels where growth-generates-data-generates- growth, we believe our flywheel is more powerful in that increased data generates targeted growth and increases the lifetime value of our customers.

Our proprietary UBI scoring models calculate individualized risk-based on our unique analytical capabilities, notably our proprietary data set of miles driven, driving behavior and associated claims experience which we believe is the only such integrated capability in the market.

The data science behind UBI scoring tells us that the riskiest 10 - 15% of drivers are up to two times more likely to get in an accident than our average targeted customer. We act upon this observation in two ways. First, we do not quote this high-risk segment of potential customers. Second, because we are not burdened by the elevated risk and potential losses of this narrow segment, we can offer the most competitive prices for our targeted customers.

The pooled-risk pricing strategy employed by the majority of incumbents takes a more uniform view of risk absent the capability to segment on an individualized basis. First, incumbents generally do not have the technology and infrastructure to collect and synthesize an integrated set of proprietary telematics and claims data. Second, introducing individualized telematics-based pricing across an existing portfolio constructed without telematics would have enormous profitability implications as lower-risk drivers would be re-rated to a meaningful discount, reducing profits, and high-risk drivers would be surcharged, which could result in reduced retention.

Through telematics, we are better able to identify low risk drivers and we are therefore able to offer such drivers competitive prices based on this risk, giving us an advantage in acquiring new customers as compared to traditional insurance carriers, winning share from our competitors and growing our business. As we bring more targeted customers onto our platform, we accumulate more data, retraining our models, improving our UBI score and reinforcing our competitive advantages.

Our granular risk segmentation yields strong conversion of customers whose behavioral data indicates lower risk than a market-standard demographic rating alone. However, when a competitor prices a driver based on traditional underwriting variables, for certain risk segments our price will not be the lowest and we will not convert that potential customer. We view this outcome as mispriced risk accruing to a competitor’s balance sheet. As our flywheel turns and more mispriced risk converts with our competitors, our competitors are put in a position of having to broadly raise prices to meet profit expectations, improving our conversion.

**Our Growth Strategy**

We are focused on the following growth strategies to continue penetrating the $266 billion auto insurance market and ultimately the $2 trillion global personal lines market over time:

- ***Execute the Auto Opportunity***
  - *Better, fairer pricing.* We will never stop working to improve our ability to segment risk by increasing the influence of behavioral factors in our underwriting and pricing models. Over time we hope that we can replace all correlation-related inputs to our pricing model, such as credit scores, with a fully behavioral pricing model.
  - *Grow national auto insurance presence.* We will continue to aggressively invest in domestic growth by becoming active in more states while creating brand awareness through a national marketing campaign.
  - *Enhance marketing efficiency.* We will continue to enhance the efficiency of our marketing spend through better data science and dynamic targeting in our digital channel, as well as greater investment in channel media and expansion of our partnership channel.
- ***Accelerate Insurance Product Innovation***
  - *Strengthen value proposition and business model through cross-sell.* We will continue expanding our homeowners and renters insurance footprint.
- ***Pursue Enterprise and International Expansion***
  - *Invest in enterprise.* We have developed a distinct enterprise offering leveraging our existing technology and capabilities. In March 2020, we launched our first set of enterprise technology products to provide telematics-based data collection and trip tracking and today we have agreements with multiple clients. We will continue investing in and growing this product offering to create a distinct and scalable software-as-a-service recurring revenue stream absent risk retention.
  - *Pursue International.* We will look to expand into the international market, both as a consumer-facing insurer in certain markets and through enterprise software in other markets, enabling select insurance companies with mobile telematics data collection and scoring capabilities.

We may selectively pursue acquisitions to accelerate any of our growth objectives or to improve our competitive positioning within existing and new products.

**Capital Management**

We operate a “capital-light” business model and utilize a variety of reinsurance structures to maximize returns on shareholder capital. Our capital management objectives include:

1. ***Top-Line Growth Without a Commensurate Increase in Regulatory Capital Requirements.*** We utilize a variety of reinsurance solutions, quota share in particular, to manage our net retained premium base within our U.S. statutory entity, Root Insurance Company. This enables us to pursue our top-line growth potential, but manage capital requirements to a more tolerable level as we hold minimal incremental capital against premium that we cede to our reinsurance partners. Net of third-party reinsurance, over the long term we expect this structure to enable us to write at least four dollars of net retained premium for each one dollar of capital held across Root Insurance Company and our wholly-owned, Cayman Islands-based captive reinsurer, Root Re. While our reinsurance activities cede a portion of the profit, we expect the net impact to be highly accretive to us on a return basis.
2. ***Support of Customer Acquisition Costs.*** When we enter into a quota share reinsurance agreement, it is only for a defined period of time that we share profits associated with our customer base. As we own the customer relationship, it is at our discretion what level of customer profit potential we seek to share via

reinsurance arrangements. In exchange for ceded premium, our reinsurance partners provide significant expense relief via a ceding commission, which we use to help defray customer acquisition costs.

3. ***Protection from Outsized Losses or Tail Events.*** Auto insurance is a stable insurance product with consistent and predictable underwriting results. At the same time, as a growth company with a "capital-light" business model, we believe it is prudent to protect against large or unanticipated losses stemming from tail events. We utilize excess of loss protection, or XOL, coverage to mitigate such risk.

**Recent Developments**

**Preliminary Financial Results for the Three Months Ended September 30, 2020**

The following table sets forth certain actual unaudited financial results and operating data for the three months ended September 30, 2019, and certain preliminary and unaudited financial results and operating data we expect to report for the three months ended September 30, 2020. Our unaudited interim consolidated financial statements for the three months ended September 30, 2020 are not yet available and will not be available until after the completion of this offering. We have provided ranges, rather than specific amounts, for the preliminary estimates of the financial and other data described below primarily because our closing procedures for the three months ended September 30, 2020 are not yet complete and, as a result, our final results upon completion of our closing procedures may vary from the preliminary estimates. Our preliminary estimated results contained in this prospectus have been prepared by our management in good faith based upon our internal reporting for the three months ended September 30, 2020. These estimates are preliminary and actual results may be outside of the provided range. Additionally, our estimated results are forward-looking statements based solely on information available to us as of the date of this prospectus and may differ materially from actual results, although we have not identified any unusual or unique trends that occurred during the period presented. Actual results remain subject to the completion of management's review and our other financial closing procedures. Therefore, you should not place undue reliance on this preliminary data. Please refer to "Special Note Regarding Forward-Looking Statements." These preliminary estimated unaudited financial results should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto included elsewhere in this prospectus. For additional information, please see "Risk Factors."

The preliminary estimates for the three months ended September 30, 2020 presented below have been prepared by, and are the responsibility of, management. Deloitte & Touche LLP, our independent registered public accounting firm, has not audited, reviewed, compiled, or performed any procedures with respect to such preliminary financial results. Accordingly, Deloitte & Touche LLP does not express an opinion or any other form of assurance with respect thereto.

| | Three Months Ended September 30, | | |
|---|---|---|---|
| | 2019 | 2020 (estimated) | |
| | Actual | Low | High |
| | (in millions) | | |
| Net premiums earned | 75.8 | 43.6 | 45.3 |
| Net investment income | 1.1 | 1.0 | 1.0 |
| Net realized gains on investments | — | 0.1 | 0.1 |
| Fee income | 2.7 | 4.5 | 4.5 |
| Total revenue | 79.6 | 49.2 | 50.9 |
| Operating expenses: | | | |
| Loss and loss adjustment expenses | 100.9 | 79.0 | 75.1 |
| Sales and marketing | 34.4 | 37.6 | 36.5 |
| Other insurance expense (benefit) | 15.2 | (27.1) | (25.8) |
| Technology and development | 7.0 | 13.1 | 12.6 |
| General and administrative | 9.0 | 17.3 | 16.5 |
| Total operating expenses | $ 166.5 | $ 119.9 | $ 114.9 |
| Total operating loss | $ (86.9) | $ (70.7) | $ (64.0) |

The following table provides our unaudited actual key performance indicators for the three months ended September 30, 2019, and our unaudited preliminary and estimated key performance indicators for the three months ended September 30, 2020:

| | Three Months Ended September 30, | | |
|---|---|---|---|
| | 2019 | 2020 (estimated) | |
| | Actual | Low | High |
| | (dollars in millions, except Premiums per Policy) | | |
| Policies in Force | | | |
| Auto | 242,631 | 312,750 | 328,850 |
| Renters | 825 | 7,150 | 7,510 |
| Premiums per Policy | | | |
| Auto | $ 877 | $ 901 | $ 948 |
| Renters | $ 122 | $ 135 | $ 142 |
| Premiums in Force | | | |
| Auto | $ 425.6 | $ 581.1 | $ 611.1 |
| Renters | $ 0.1 | $ 1.0 | $ 1.0 |
| Direct Written Premium | $ 119.5 | $ 159.8 | $ 168.0 |
| Direct Earned Premium | $ 99.9 | $ 149.8 | $ 157.5 |
| Gross Profit/(Loss) | $ (36.5) | $ (2.7) | $ 1.6 |
| Gross Margin | (45.9)% | (5.5)% | 3.1 % |
| Adjusted Gross Profit/(Loss) | $ (27.2) | $ 6.7 | $ 10.6 |
| Ratio of Adjusted Gross Profit/(Loss) to Total Revenue | (34.2)% | 13.6 % | 20.8 % |
| Ratio of Adjusted Gross Profit/(Loss) to Direct Earned Premium | (27.2)% | 4.5 % | 6.7 % |
| Direct Loss Ratio | 113.3 % | 88.0 % | 92.5 % |
| Direct LAE Ratio | 12.7 % | 9.7 % | 10.2 % |

The decrease in total revenue from the three months ended September 30, 2019 to what we expect to report for the three months ended September 30, 2020 is primarily due to the change in our reinsurance structure between the periods. During the three months ended September 30, 2020, under our new quota share reinsurance structure, we began ceding approximately 70% of direct earned premiums to our third-party reinsurers. For the three months ended September 30, 2020, we expect to report direct written premium growth of 34% to 41% and we expect to report direct earned premium growth of 50% to 58%, compared to the three months ended September 30, 2019. We expect to report 60% to 65% of our direct earned premium during the three months ended September 30, 2020 was from renewal premium, compared to our actual direct earned premium from renewal of 42% for the three months ended September 30, 2019.

The decrease in total operating expenses from the three months ended September 30, 2019 to what we expect to report for the three months ended September 30, 2020 is primarily due to the change in our reinsurance structure between the periods. For the three months ended September 30, 2020, we expect to report an increase in ceding commissions earned related to our increased use of third-party quota share reinsurance compared to the three months ended September 30, 2019. Under the new quota share reinsurance agreement effective July 1, 2020, which is on a loss occurring basis, we expect to recognize ceding commissions under the agreement in proportion to the recognition of the direct written premiums during the quarter, including the remaining unearned premiums on ceded policies at the inception of the agreement. The ceding commission provides for reimbursement of both direct and other periodic acquisition costs, including certain underwriting and marketing costs, and is presented as a reduction of other insurance expense.

We expect to report a decrease in loss and loss adjustment expense, or LAE, for the three months ended September 30, 2020 compared to the three months ended September 30, 2019 primarily due to an improvement in our direct loss ratio. We expect to report a direct loss ratio in the range of 88.0% to 92.5% for the three months

ended September 30, 2020 compared to a direct loss ratio of 113.3% for the three months ended September 30, 2019. The expected decline between the periods is primarily attributable to deployment of improved and additional underwriting and rating criteria for the three months ended September 30, 2020 compared to the same period in 2019. We expect to report direct accident period loss ratios of 83% to 88% and renewal direct accident period loss ratio of 75% to 80% for the three months ended September 30, 2020. In addition, loss and LAE for the three months ended September 30, 2020 includes an increase to held reserves for accident periods prior to July 2020 of $7.0 million, before reinsurance, and net of subrogation and salvage anticipated recoveries. Substantially all of this increase to held reserves relates to accident years 2019 and prior as a result of a change in estimate. The adjustments recorded in the three month period ended September 30, 2020 were necessary in order to effectuate management's best estimate for determining the estimated ultimate cost of settling claims using our knowledge and experience about past and current events and developments.

The following table provides reconciliation of our unaudited actual total revenue to non-GAAP adjusted gross profit/(loss) for the three months ended September 30, 2019 and the unaudited preliminary and estimated non-GAAP adjusted gross profit/(loss) we expect to report for the three months ended September 30, 2020:

| | Three Months Ended September 30, | | |
|---|---|---|---|
| | 2019 | 2020 (estimated) | |
| | Actual | Low | High |
| | (dollars in millions) | | |
| Total revenue | $ 79.6 | $ 49.2 | $ 50.9 |
| Other insurance expense, loss and loss adjustment expense | (116.1) | (51.9) | (49.3) |
| Gross profit/(loss) | (36.5) | (2.7) | 1.6 |
| Gross Margin | (45.9)% | (5.5)% | 3.1 % |
| Less: | | | |
| Net investment income and realized gains (losses) on investments | (1.1) | (1.1) | (1.1) |
| Adjustments from other insurance expense[(1)] | 10.4 | 10.5 | 10.1 |
| Adjusted gross profit/(loss) | $ (27.2) | $ 6.7 | $ 10.6 |
| Direct earned premium | $ 99.9 | $ 149.8 | $ 157.5 |
| Ratio of adjusted gross profit/(loss) to total revenue | (34.2)% | 13.6 % | 20.8 % |
| Ratio of adjusted gross profit/(loss) to direct earned premium | (27.2)% | 4.5 % | 6.7 % |

(1) Adjustments from other insurance expense includes report costs, personnel costs, allocated overhead, licenses, professional fees and other.

**Competition**

The insurance industry in which we operate is highly competitive. Many of our primary competitors have well-established national brands and market similar products. Our competitors include large national insurance companies such as Geico, Progressive and Allstate, as well as up-and-coming companies and new market entrants in the insurtech industry, some of whom also utilize telematics and offer forms of usage-based insurance. Several of these established national insurance companies are larger than us and have significant competitive advantages over us, including increased name recognition, higher financial ratings, greater resources, additional access to capital, and more types of insurance coverage to offer, such as health and life, than we currently do. In particular, many of these competitors offer consumers the ability to purchase multiple other types of insurance coverage and "bundle" them together into one policy and, in certain circumstances, include an umbrella liability policy for additional coverage at competitive prices. Moreover, as we expand into new lines of business and offer additional products, we could face intense competition from traditional insurance companies that are already established in such markets.

Competition is based on many factors, including the reputation and experience of the insurer, coverages offered, pricing and other terms and conditions, customer service, size, and financial strength ratings, among other considerations. We believe we compete favorably across many of these factors, and have developed a platform and

business model based on behavioral data collection and machine learning that we believe will be difficult for incumbent insurance providers to emulate.

**Risk Factors Summary**

There are a number of risks that you should understand before making an investment decision regarding this offering. These risks are discussed more fully in the section titled "Risk Factors" following this prospectus summary. If any of these risks actually occur, our business, financial condition or results of operations would likely be materially and adversely affected. In such case, the trading price of our Class A common stock would likely decline, and you may lose all or part of your investment. These risks include, but are not limited to:

- We have a history of net losses and could continue to incur substantial net losses in the future.
- We may lose our existing customers or fail to acquire new customers.
- We may require additional capital to support business growth or to satisfy our regulatory capital and surplus requirements, and this capital might not be available on acceptable terms, if at all.
- The COVID-19 pandemic has caused disruption to our operations and may negatively impact our business, key metrics, and results of operations in numerous ways that remain unpredictable.
- Our future growth and profitability depend in part on our ability to successfully operate in an insurance industry that is highly competitive.
- We rely on telematics, mobile technology and our digital platform to collect data points that we evaluate in pricing and underwriting our insurance policies, managing claims and customer support, and improving business processes. To the extent regulators prohibit or restrict our collection or use of this data, our business could be harmed.
- We depend on search engines, social media platforms, digital app stores, content-based online advertising and other online sources to attract consumers to our website and our mobile app both rapidly and cost-effectively. If these third parties change their listings or increase their pricing, if our relationship with them deteriorates or terminates, or due to other factors beyond our control, we may be unable to attract new customers rapidly and cost-effectively, which would adversely affect our business and results of operations.
- Operating systems platforms and application stores controlled by third parties, such as Apple and Google, may change their terms of service or policies in a manner that increases our costs or impacts our ability to distribute our mobile app, collect data through it, and market our products.
- If we are unable to expand our product offerings, maintain the quality of our products and levels of customer service or continue technological innovation and improvements, our prospects for future growth may be materially adversely affected.
- Our expansion within the United States and any future international expansion strategy will subject us to additional costs and risks, and our plans may not be successful.
- Our technology platform may not operate properly or as we expect it to operate.
- We expect a number of factors to cause our results of operations to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance.
- We are subject to a full scope examination by our primary state insurance regulator, which could result in adverse examination findings and necessitate remedial actions. We are currently undergoing, but have not completed, our five-year financial examination with the Ohio Department of Insurance, which includes a specific examination of our pricing and underwriting methodologies as well as our regulatory capital.

- Our exposure to loss activity and regulation may be greater in states where we currently have most of our customers: Texas, Georgia and Kentucky. Approximately 40.1% of our gross written premium for the six months ended June 30, 2020 originated from customers in Texas, Georgia and Kentucky.
- The insurance business, including the market for automobile, renters and homeowners insurance, is historically cyclical in nature, and we may experience periods with excess underwriting capacity and unfavorable premium rates, which could adversely affect our business.
- Reinsurance may be unavailable at current levels and prices, which may limit our ability to underwrite new policies. Furthermore, reinsurance subjects us to counterparty risk and may not be adequate to protect us against losses, which could have a material effect on our results of operations and financial condition.
- Reinsurance subjects us to risks of our reinsurers and may not be adequate to protect us against losses arising from ceded insurance, which could have a material effect on our results of operations and financial condition.
- The dual class structure of our common stock will have the effect of concentrating voting control with our executive officers, directors and their affiliates, which will limit your ability to influence the outcome of important transactions.

**Corporate Information**

WYNU, Inc. was incorporated under the laws of the state of Delaware in February 2015, and changed its name to IBOD Company, Inc. in March 2015 and to Root, Inc. in June 2018. We were incorporated under the laws of the State of Delaware in August 2019, under the name Root Stockholdings, Inc., and became the parent of Root, Inc. pursuant to a transaction in which all of the issued and outstanding capital stock of Root, Inc. was exchanged for shares of our Class B common stock and redeemable convertible preferred stock. Root, Inc. changed its name to Caret Holdings, Inc., and we changed our name to Root, Inc. in September 2020. Our principal executive offices are located at 80 E. Rich Street, Suite 500, Columbus, OH 43215. Our telephone number is (866) 980-9431. Our website address is https://joinroot.com. Information contained on, or that can be accessed through, our website is not incorporated by reference into this prospectus, and you should not consider information on our website to be part of this prospectus.

The Root, Inc. design logo, the ROOT service mark, “Root, Inc.,” and our other registered or common law trademarks, service marks, or trade names appearing in this prospectus are the property of Root. Other trade names, trademarks and service marks used in this prospectus are the property of their respective owners.

**Implications of Being an Emerging Growth Company**

As a company with less than $1.07 billion in revenue during our last fiscal year, we qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include:

- we are required to have only two years of audited financial statements and only two years of related selected financial data and Management's Discussion and Analysis of Financial Condition and Results of Operations disclosure;
- we are exempt from the requirement that critical audit matters be discussed in our independent auditor's reports on our audited financial statements or any other requirements that may be adopted by the Public Company Accounting Oversight Board, or the PCAOB, unless the SEC determines that the application of such requirements to emerging growth companies is in the public interest;
- we are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requiring that our independent registered public accounting firm provide an attestation report on the effectiveness of its internal control over financial reporting;

- we are exempt from the "say on pay," "say on frequency," and "say on golden parachute" advisory vote requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act; and
- we are exempt from certain disclosure requirements of the Dodd-Frank Act relating to compensation of our executive officers and are permitted to omit the detailed compensation discussion and analysis from proxy statements and reports filed under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

We may take advantage of these provisions until the last day of our fiscal year following the fifth anniversary of the completion of this offering or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company upon the earliest of: (i) the last day of the first fiscal year in which our annual gross revenues are $1.07 billion or more; (ii) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt securities; or (iii) the date on which we are deemed to be a "large accelerated filer," which will occur as of the end of any fiscal year in which we (x) have an aggregate market value of our Class A common stock held by non-affiliates of $700 million or more as of the last business day of our most recently completed second fiscal quarter, (y) have been required to file annual and quarterly reports under the Exchange Act, for a period of at least 12 months and (z) have filed at least one annual report pursuant to the Exchange Act.

Further, pursuant to Section 107 of the JOBS Act, as an emerging growth company, we have elected to take advantage of the extended transition period for complying with new or revised accounting standards until those standards would otherwise apply to private companies. As a result, our operating results and financial statements may not be comparable to the operating results and financial statements of other companies who have adopted the new or revised accounting standards. It is possible that some investors will find our Class A common stock less attractive as a result, which may result in a less active trading market for our Class A common stock and higher volatility in our stock price

For risks related to our status as an emerging growth company, see the section titled "Risk Factors — Risks Related to this Offering and Ownership of Our Class A Common Stock".

**THE OFFERING**

| | |
|---|---|
| Class A common stock offered by us | 22,000,000 shares |
| Class A common stock offered by the selling stockholder | 2,164,515 shares |
| Class A common stock sold in the concurrent private placements | Immediately subsequent to the closing of this offering, one or more funds affiliated with Dragoneer Investment Group, LLC, or collectively Dragoneer, and one or more funds affiliated with Silver Lake Technology Management, L.L.C., or collectively Silver Lake, will each purchase $250.0 million of shares of Class A common stock, for an aggregate of $500.0 million, in private placements, in each case at a price per share equal to the initial public offering price. Based on an assumed initial public offering price of $23.50, which is the midpoint of the estimated price range set forth on the cover page of this prospectus, Dragoneer and Silver Lake would purchase an aggregate of 21,276,594 shares of Class A common stock from us. The sale of the shares in the private placements is contingent upon the completion of this offering. The sale of these shares to Dragoneer and Silver Lake will not be registered in this offering and will be subject to a market standoff agreement with us for a period of up 180 days after the date of this prospectus and lock-up agreement with the underwriters for a period of up to 180 days after the date of this prospectus. See "Shares Eligible for Future Sale—Lock-Up Agreements and Market Standoff Provisions" for additional information regarding such restrictions. We refer to the private placement of these shares of Class A common stock as the concurrent private placements. |
| Class A common stock to be outstanding after this offering and the concurrent private placements | 45,441,109 shares |
| Class B common stock to be outstanding after this offering | 204,408,698 shares |
| Total Class A common stock and Class B common stock to be outstanding after this offering and the concurrent private placements | 249,849,807 shares |
| Underwriters' option to purchase additional shares of Class A common stock from us | 3,624,677 shares |
| Voting rights | We will have two classes of common stock: Class A common stock and Class B common stock. Class A common stock is entitled to one vote per share and Class B common stock is entitled to ten votes per share.<br>Holders of Class A common stock and Class B common stock will generally vote together as a single class, unless otherwise required by law or our amended and restated certificate of incorporation that will be in effect upon the completion of this offering. The holders of our outstanding Class B common stock will hold approximately 97.8% of the voting power of our outstanding shares following this offering and will have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of our directors and the approval of any change in control transaction. See the sections titled "Principal and Selling Stockholders" and "Description of Capital Stock" for additional information. |

| | |
|---|---|
| Concentration of ownership | Once this offering and the concurrent private placements are completed, the holders of our outstanding Class B common stock will beneficially own approximately 81.9% of our outstanding shares and control approximately 97.8% of the voting power of our outstanding shares and our executive officers, directors and stockholders holding more than 5% of our outstanding shares, together with their affiliates, will beneficially own, in the aggregate, approximately 68.8% of our outstanding shares and control approximately 82.8% of the voting power of our outstanding shares. |
| Use of proceeds | We estimate that our net proceeds from the sale of our Class A common stock that we are offering and the concurrent private placements will be approximately $967.2 million (or approximately $1,047.6 million if the underwriters exercise their option to purchase additional shares in full), assuming an initial public offering price of $23.50 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses.<br><br>The principal purposes of this offering are to increase our capitalization and financial flexibility, and create a public market for our Class A common stock. We intend to use the net proceeds we receive from this offering and the concurrent private placements for general corporate purposes, including working capital, operating expenses and capital expenditures. We may also use a portion of the net proceeds for acquisitions and/or strategic investments in complementary businesses, products, services or technologies, although we do not currently have any plans or commitments for any such acquisitions or investments. We will not receive any of proceeds from the sale of shares of our common stock by the selling stockholders in this offering. See the section titled "Use of Proceeds" for additional information. |
| Directed Share Program | At our request, the underwriters have reserved for sale, at the initial public offering price, up to 1.1 million shares offered by this prospectus for sale to certain of our officers, employees and related persons through a directed share program. If these persons purchase these reserved shares, it will reduce the number of shares available for sale to the general public. Any directed shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus. |
| Proposed Nasdaq trading symbol | "ROOT" |

The number of shares of our Class A common stock and Class B common stock that will be outstanding after this offering and the concurrent private placements is based on no shares of Class A common stock and 206,573,213 shares of our Class B common stock outstanding as of June 30, 2020, and excludes:

- 11,958,503 shares of our Class B common stock issuable upon the exercise of options to purchase shares of our Class B common stock outstanding as of June 30, 2020, with a weighted-average exercise price of $1.6785 per share;

- 794,632 shares of our Class B common stock issuable upon the exercise of options to purchase shares of our Class B common stock granted after June 30, 2020, with a weighted-average exercise price of $8.2708 per share;
- 84,051 shares of our Class B common stock subject to restricted stock units, or RSUs, outstanding, but for which the time-based vesting condition was not satisfied as of June 30, 2020;
- 25,000,000 shares of our Class A common stock reserved for future issuance under our 2020 Equity Incentive Plan, or the 2020 Plan, plus a number of shares of Class A common stock not to exceed 16,247,840 shares (consisting of the number of shares that remain available under our Amended and Restated 2015 Plan, or the 2015 Plan, as of immediately prior to the effective date of the 2020 Plan and any shares underlying options outstanding under the 2015 Plan that expire or otherwise terminate prior to exercise after the effective date of the 2020 Plan), as well as any future increases, including annual automatic evergreen increases, in the number of shares of Class A common stock reserved for issuance under our 2020 Plan; and
- 5,000,000 shares of our Class A common stock reserved for future issuance under our 2020 Employee Stock Purchase Plan, or the ESPP, which includes an annual evergreen increase and will become effective in connection with this offering.

Unless otherwise indicated, the information in this prospectus assumes:

- an initial public offering price of $23.50 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus;
- the filing and effectiveness of our amended and restated certificate of incorporation and the effectiveness of our amended and restated bylaws, each of which will occur immediately prior to the completion of this offering;
- the automatic conversion of all outstanding shares of our redeemable convertible preferred stock into 161,781,094 shares of our Class B common stock immediately prior to the completion of this offering;
- no exercise of the outstanding options or warrants described above;
- the automatic net exercise of an outstanding warrant to purchase 2,778,608 shares of our Class B common stock with an exercise price of $0.0001 per share, resulting in the issuance of 2,778,596 shares of our Class B common stock;
- the net exercise of warrants to purchase an aggregate of 597,960 shares of our Class B common stock with a weighted-average exercise price of $0.3730 per share, resulting in the issuance of 588,467 shares of our Class B common stock;
- the conversion of the shares of Class B common stock sold by the selling stockholder into an equal number of shares of Class A common stock upon the sale thereof in this offering; and
- no exercise of the underwriters' option to purchase additional shares of Class A common stock from us.

## SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables summarize our consolidated financial and operating data. The summary consolidated statements of operations and comprehensive loss data for the years ended December 31, 2018 and 2019 and the summary consolidated balance sheet data as of December 31, 2019, have been derived from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary consolidated statements of operations and comprehensive loss data for the six months ended June 30, 2019 and 2020, and the consolidated balance sheet data as of June 30, 2020, from our unaudited condensed consolidated financial statements included elsewhere in this prospectus.

You should read the following summary consolidated financial and operating data together with the sections titled "Selected Consolidated Financial and Operating Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and the related notes included elsewhere in this prospectus. The summary consolidated financial and operating data in this section are not intended to replace our audited consolidated financial statements and the related notes and are qualified in their entirety by our audited consolidated financial statements and the related notes included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future, and our results for the six months ended June 30, 2020 are not necessarily indicative of the results that may be expected for the full fiscal year or any other period.

| | Years Ended December 31, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2019 | 2019 | 2020 |
| | (in millions, except per share data) | | | |
| **Consolidated Statements of Operations and Comprehensive Loss:** | | | | |
| Net premiums earned | $ 40.2 | $ 275.3 | $ 98.6 | $ 233.5 |
| Net investment income | 1.2 | 5.2 | 1.7 | 3.2 |
| Net realized gains on investments | — | — | — | 0.1 |
| Fee income | 1.9 | 9.7 | 3.8 | 8.6 |
| Total revenue | $ 43.3 | $ 290.2 | $ 104.1 | $ 245.4 |
| Operating expenses: | | | | |
| Loss and loss adjustment expenses | 43.5 | 321.4 | 109.6 | 227.2 |
| Sales and marketing | 40.3 | 109.6 | 39.2 | 53.2 |
| Other insurance expense | 10.2 | 52.3 | 18.9 | 26.6 |
| Technology and development | 8.2 | 24.0 | 8.4 | 27.3 |
| General and administrative | 9.3 | 43.0 | 22.4 | 42.2 |
| Total operating expenses | 111.5 | 550.3 | 198.5 | 376.5 |
| Interest expense | 0.9 | 22.3 | 2.6 | 13.4 |
| Loss before income tax expense | (69.1) | (282.4) | (97.0) | (144.5) |
| Income tax expense | — | — | — | — |
| Net loss | (69.1) | (282.4) | (97.0) | (144.5) |
| Other comprehensive income: | | | | |
| Changes in unrealized gain on investments | — | 0.6 | 0.7 | 4.9 |
| Comprehensive loss | $ (69.1) | $ (281.8) | $ (96.3) | $ (139.6) |
| Loss per common share: basic and diluted | $ (2.73) | $ (8.33) | $ (3.04) | $ (3.74) |
| Weighted-average common shares outstanding: basic and diluted | 25.3 | 33.9 | 31.9 | 38.6 |
| Pro forma net loss per share: basic and diluted (unaudited) | | (1.54) | | (0.71) |
| Pro forma weighted-average common shares outstanding: basic and diluted (unaudited) | | 182.9 | | 204.7 |

| | As of June 30, 2020 | | |
|---|---|---|---|
| | Actual | Pro Forma[1] | Pro Forma As Adjusted[2][3] |
| | (dollars in millions) | | |
| **Consolidated Balance Sheet Data:** | | | |
| Total investments | $ 222.4 | $ 222.4 | $ 222.4 |
| Cash and cash equivalents | 240.9 | 240.9 | 1,208.1 |
| Restricted cash | 1.0 | 1.0 | 1.0 |
| Total assets | 706.8 | 706.8 | 1,674.0 |
| Total liabilities | 633.6 | 611.7 | 611.7 |
| Redeemable convertible preferred stock | 560.4 | — | — |
| Total stockholders' (deficit) equity | (487.2) | 95.1 | 1,062.3 |

(1) The consolidated pro forma balance sheet data gives effect to (i) the automatic conversion of all outstanding shares of our redeemable convertible preferred stock as of June 30, 2020 into 161,781,094 shares of Class B common stock immediately prior to the completion of this offering, (ii) the issuance of 2,778,596 shares of our Class B common stock as a result of the automatic net exercise of a warrant to purchase 2,778,608 shares of our Class B common stock, based on an assumed initial public offering price of $23.50 per share, the midpoint of the price range set forth on the cover page of this prospectus, and (iii) the change in the fair value of warrant liabilities based on an assumed initial public offering price of $23.50 per share, the midpoint of the price range set forth on the cover page of this prospectus.

(2) The pro forma as adjusted column gives effect to (i) the pro forma adjustments set forth in footnote (1) above and (ii) the sale of 22,000,000 shares of our Class A common stock in this offering and 21,267,594 shares of our Class A common stock in the concurrent private placements at the assumed initial public offering price of $23.50 per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(3) Each $1.00 increase (decrease) in the assumed initial public offering price of $23.50 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) each of our pro forma as adjusted cash and cash equivalents, total assets and total stockholders' (deficit) equity by approximately $20.8 million, assuming the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions. Similarly, each increase (decrease) of 1.0 million shares of Class A common stock offered by us would increase (decrease) each of our pro forma as adjusted cash and cash equivalents, total assets and total stockholders' (deficit) equity by approximately $22.2 million, assuming the assumed initial public offering price of $23.50 per share remains the same, and after deducting estimated underwriting discounts and commissions. The pro forma and pro forma as adjusted information discussed above is illustrative only and will depend on the actual initial public offering price and other terms of this offering determined at pricing.

| | Years Ended December 31, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2019 | 2019 | 2020 |
| | (dollars in millions, except Premiums per Policy) | | | |
| **Key Performance Indicators:**[1] | | | | |
| Policies in Force | | | | |
| Auto | 111,736 | 281,310 | 220,536 | 334,327 |
| Renters[2] | — | 1,747 | — | 5,974 |
| Premiums per Policy | | | | |
| Auto | $ 729 | $ 904 | $ 805 | $ 909 |
| Renters[2] | $ — | $ 127 | $ — | $ 139 |
| Premiums in Force | | | | |
| Auto | $ 162.9 | $ 508.6 | $ 355.1 | $ 607.8 |
| Renters[2] | $ — | $ 0.2 | $ — | $ 0.8 |
| Direct Written Premium | $ 106.4 | $ 451.1 | $ 187.9 | $ 306.5 |
| Direct Earned Premium | $ 61.4 | $ 352.9 | $ 133.4 | $ 295.8 |
| Gross Profit/(Loss) | $ (10.4) | $ (83.5) | $ (24.4) | $ (8.4) |
| Gross Margin | (24.0)% | (28.8)% | (23.4)% | (3.4)% |
| Adjusted Gross Profit/(Loss)[3] | $ (0.2) | $ (54.2) | $ (12.8) | $ 7.4 |
| Ratio of Adjusted Gross Profit/(Loss) to Total Revenue | (0.5)% | (18.7)% | (12.3)% | 3.0 % |
| Ratio of Adjusted Gross Profit/(Loss) to Direct Earned Premium | (0.3)% | (15.4)% | (9.6)% | 2.5 % |
| Direct Loss Ratio | 93.6 % | 99.9 % | 96.4 % | 81.3 % |
| Direct LAE Ratio | 16.9 % | 12.0 % | 10.4 % | 9.5 % |

(1) See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Performance Indicators" for information on how we define and calculate these key performance indicators.
(2) We began offering renters insurance policies in July 2019.
(3) See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations —Non-GAAP Financial Measures" for information regarding our use of Adjusted Gross Profit/(Loss), and its reconciliation to total revenue determined in accordance with generally accepted accounting principles in the United States, or GAAP.

## RISK FACTORS

*Investing in our Class A common stock involves a high degree of risk. You should carefully consider the following risks, together with all of the other information contained in this prospectus, before deciding to invest in our Class A common stock. Our business, financial condition, results of operations or prospects could be materially and adversely affected by any of these risks or uncertainties, as well as by risks or uncertainties not currently known to us, or that we do not currently believe are material. In that case, the trading price of our Class A common stock could decline, and you may lose all or part of your investment.*

### Risks Related to Our Business

***We have a history of net losses and could continue to incur substantial net losses in the future.***

We have incurred net losses on an annual basis since our incorporation in 2015. We incurred net losses of $69.1 million and $282.4 million for the years ended December 31, 2018 and 2019, respectively, and a net loss of $144.5 million for the six months ended June 30, 2020. We had an accumulated loss of $385.0 million and $529.5 million as of December 31, 2019 and June 30, 2020, respectively.

The principal driver of our losses to date is our loss ratios associated with accidents by our customers. Establishing adequate premium rates is necessary, together with investment income, if any, to generate sufficient revenue to offset losses, loss adjustments expenses, or LAE, and other costs. If we do not accurately assess the risks that we underwrite, the premiums that we charge may not be adequate to cover our losses and expenses, which would adversely affect our results of operations and our profitability. Moreover, as we continue to invest in our business, we expect expenses to continue to increase in the near term. Such expenses may occur in the areas of telematics, digital marketing, brand advertising, consumer-facing technologies, core insurance operations services and lines of insurance not presently offered by Root. These investments may not result in increased revenue or growth in our business. If we fail to manage our losses or to grow our revenue sufficiently to keep pace with our investments and other expenses, our business will be seriously harmed.

In addition, we will incur additional expenses to support our growth, and we will continue to incur significant expenses in connection with the repayment of the outstanding principal and accrued interest on our credit facilities, under which we had approximately $186.5 million of borrowings outstanding as of June 30, 2020. As a public company, we will also incur significant legal, accounting and other expenses that we did not incur as a private company. We may encounter unforeseen or unpredictable factors, including unforeseen operating expenses, complications or delays, which may also result in increased costs. Further, it is difficult to predict the size and growth rate of our market or demand for our services and success of current or potential future competitors. As a result, we may not achieve or maintain profitability in future periods.

***We may lose existing customers or fail to acquire new customers.***

We believe that growth of our business and revenue depends upon our ability to continue to grow our business in the geographic markets that we currently serve by retaining our existing customers and adding new customers in our current as well as new geographic markets. Expanding into new geographic markets takes time, requires us to navigate and comply with extensive regulations and may occur more slowly than we expect or than it has occurred in the past. If we lose customers, our value will diminish. In particular, while loss performance has improved over time as more customers renew their policies and remain policyholders for longer, a future loss of customers could lead to higher loss ratios or loss ratios that cease to decline, which would adversely impact our profitability. If we fail to remain competitive on customer experience, pricing, and insurance coverage options, our ability to grow our business may also be adversely affected. In addition, we may fail to accurately predict risk segmentation of new customers or potential customers, which could also reduce our profitability.

While a key part of our business strategy is to retain and add customers in our existing markets, we also intend to expand our operations into new markets. In doing so, we may incur losses or otherwise fail to enter new markets successfully. Our expansion into new markets may place us in unfamiliar competitive environments and involve various risks, including competition, government regulation, the need to invest significant resources and the possibility that returns on such investments will not be achieved for several years or at all.

There are many factors that could negatively affect our ability to grow our customer base, including if:

- we lose customers to new market entrants and/or existing competitors;
- we do not obtain regulatory approvals necessary for expansion into new markets or in relation to our products (such as underwriting and rating requirements);
- we fail to effectively use search engines, social media platforms, digital app stores, content-based online advertising, and other online sources for generating traffic to our website and our mobile app;
- our digital platform experiences disruptions;
- we suffer reputational harm to our brand including from negative publicity, whether accurate or inaccurate;
- we fail to expand geographically;
- we fail to offer new and competitive products, to provide effective updates to our existing products or to keep pace with technological improvements in our industry;
- customers have difficulty installing, updating or otherwise accessing our app or website on mobile devices or web browsers as a result of actions by us or third parties;
- customers are unable or unwilling to adopt or embrace new technology;
- the perception emerges that purchasing insurance products online is not as effective as purchasing those products through traditional offline methods;
- technical or other problems frustrate the customer experience, particularly if those problems prevent us from generating quotes or paying claims in a fast and reliable manner; or
- we are unable to address customer concerns regarding the content, privacy, and security of our digital platform.

Our inability to overcome these challenges could impair our ability to attract new customers and retain existing customers, and could have a material adverse effect on our business, operating results and financial condition.

***We may require additional capital to support business growth or to satisfy our regulatory capital and surplus requirements, and this capital might not be available on acceptable terms, if at all.***

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features and products or enhance our existing products and services, satisfy our regulatory capital and surplus requirements, cover losses, improve our operating infrastructure or acquire complementary businesses and technologies. Many factors will affect our capital needs as well as their amount and timing, including our growth and profitability, regulatory requirements, market disruptions and other developments. If our present capital and surplus (including the net proceeds from this offering) is insufficient to meet our current or future operating requirements, including regulatory capital and surplus requirements, or to cover losses, we may need to raise additional funds through financings or curtail our growth. We evaluate financing opportunities from time to time, and our ability to obtain financing will depend, among other things, on our development efforts, business plans and operating performance, as well as the condition of the capital markets at the time we seek financing. We cannot be certain that additional financing will be available to us on favorable terms, or at all.

If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of Class A common stock. As an insurance company, we are subject to extensive laws and regulations in every jurisdiction in which we conduct business, and any such issuances of equity or convertible debt securities to secure additional funds may be impeded by regulatory approvals or requirements imposed by such regulatory authorities if such issuances were deemed to result in a person acquiring “control” of

our company under applicable insurance laws and regulations. Such regulatory requirements may require potential investors to disclose their organizational structure and detailed financial statements as well as require managing partners, directors and/or senior officers submit biographical affidavits which may deter funds from investing in our company. Moreover, any debt financing, in addition to our outstanding credit facilities, that we secure in the future could subject us to restrictive covenants relating to our capital raising activities, our ability to make certain types of investments or payments, and other financial and operational matters, which may increase our difficulty to obtain additional capital or to pursue business opportunities, including new product offerings and potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be impaired, and our business, revenue, results of operations and financial condition may be materially harmed.

Further, we are restricted by covenants in our credit agreements. These covenants restrict, among other things, our ability to incur additional debt without lender consent or grant liens over our assets, which may limit our ability to obtain additional funds.

***The COVID-19 pandemic has caused disruption to our operations and may negatively impact our business, key metrics, and results of operations in numerous ways that remain unpredictable.***

Our business has been and may continue to be impacted by the effects of the outbreak of the novel strain of coronavirus, or COVID-19, which was declared a global pandemic in March 2020. This pandemic and related measures taken to contain the spread of COVID-19, such as government-mandated business closures, orders to "shelter in place," or SIPs, and travel and transportation restrictions, have negatively affected the U.S. and global economies, disrupted global supply chains, and led to unprecedented levels of unemployment. In the second quarter of 2020, our business was favorably impacted by the SIPs as our customers drove less and we had a resulting material decline in loss coverages during this quarter, which have now returned to pre-COVID-19 levels. Our business has also been impacted by certain state regulations related to COVID-19 relief efforts, including restrictions on the ability to cancel policies for non-payment, requiring deferral of insurance premium payments for up to 60 days and restrictions on increasing policy premiums. We continue to assess and update our business continuity plans in the context of this pandemic, including taking steps in an effort to help keep our employees healthy and safe. The spread of COVID-19 has caused us to modify our business practices (including employee travel, employee work locations in certain cases, and cancellation of physical participation in meetings, events, and conferences), and we expect to take further actions as may be required or recommended by government authorities or as we determine are in the best interests of our employees and customers. Furthermore, COVID-19 has impacted and may further impact the broader economies of affected countries, including negatively impacting economic growth, the proper functioning of financial and capital markets, foreign currency exchange rates, and interest rates. It is possible that the pandemic will cause an economic slowdown of potentially extended duration, as well as a global recession. This could result in an increase in costs associated with claims under our policies, as well as an increase in the number of customers experiencing difficulty paying premiums, any of which could have a material adverse effect on our business and results of operations. Furthermore, due to COVID-19's negative impact on driving, regulators in many states are either mandating or requesting that auto insurance companies refund a portion of their premium to their policyholders to reflect the insurer's decrease in projected loss exposure due to the virus. In all of the states in which we operate, state insurance regulators have either encouraged, strongly suggested or mandated insurers to provide COVID-19-related consumer relief. Regulators in 13 states in which we operate placed a mandatory moratorium on non-pay cancellations, providing consumers grace periods ranging from 30 days to 120 days in duration during which premium did not need to be paid in a timely fashion. These moratoriums resulted in an increase of premium write offs from 2.8% during the quarter ended March 31, 2020 to 5.4% for the quarter ended June 30, 2020. Premium write offs have been immaterial to date, but could be significant in the future. There were still six states with bulletins effective after June 30, 2020. These mandates and similar regulations or suggestions could negatively impact our ability to charge or increase premiums to adequately cover our losses and could result in continued increased premium write offs.

Though we continue to monitor the COVID-19 pandemic closely, due to the speed with which it continues to develop, the global breadth of its spread, the range of governmental and community reactions thereto and the unknown timing or effectiveness of any vaccine or treatment, there is considerable uncertainty around its duration

and ultimate impact. The impact of the pandemic may also exacerbate the other risks described in these Risk Factors, and additional impacts may arise that we are not currently aware of, any of which could have a material effect on us. In addition, if there is a future resurgence of COVID-19, these negative impacts on our business may be further exacerbated. As a result, the full extent of the impact of the pandemic on our overall financial and operating results, whether in the near or long term, cannot be reasonably estimated at this time.

***Our future growth and profitability depend in part on our ability to successfully operate in an insurance industry that is highly competitive.***

Many of our primary competitors have well-established national brands and market similar products. Our competitors include large national insurance companies as well as up-and-coming companies in the insurtech industry. Several of these established national insurance companies are larger than us and have significant competitive advantages, including better name recognition, higher financial ratings, greater resources, additional access to capital, and more types of insurance coverage to offer, such as health and life, than we currently do. Our business model and technology is also still nascent compared to the established business models of the well-established incumbents in the insurance market. In addition, the insurance industry consistently attracts well-capitalized new entrants to the market. Our future growth will depend in large part on our ability to grow our insurance business in which traditional insurance companies retain certain advantages. In particular, unlike us, many of these competitors offer consumers the ability to purchase multiple other types of insurance coverage and "bundle" them together into one policy and, in certain circumstances, include an umbrella liability policy for additional coverage at competitive prices. Moreover, we may in the future expand into new lines of business and offer additional products beyond automobile, renters and homeowners insurance, and as we do so, we could face intense competition from traditional insurance companies that are already established in such markets. These new insurance products could take months to be approved by regulatory authorities or may not be approved at all. We have invested in growth strategies by utilizing unique customer value propositions, differentiated product offerings and distinctive advertising campaigns. If we are unsuccessful through these strategies in generating new business, retaining a sufficient number of customers or retaining or acquiring key relationships, our ability to maintain or increase premiums written or the ability to sell our products could be adversely impacted. Because of the competitive nature of the insurance industry, there can be no assurance that we will continue to compete effectively within our industry, or that competitive pressures will not have a material effect on our business, results of operations or financial condition.

***We rely on telematics, mobile technology and our digital platform to collect data points that we evaluate in pricing and underwriting our insurance policies, managing claims and customer support, and improving business processes. To the extent regulators prohibit or restrict our collection or use of this data, our business could be harmed.***

We use telematics, mobile technology and our digital platform to collect data points that we evaluate in pricing and underwriting certain of our insurance policies, managing claims and customer support, and improving business processes. Our business model is dependent on our ability to collect driving behavior data and utilize telematics. If federal, state or international regulators were to determine that the type of data we collect, the process we use for collecting this data or how we use it unfairly discriminates against a protected class of people, regulators could move to prohibit or restrict our collection or use of this data. In addition, if legislation were to restrict our ability to collect driving behavior data, it could impair our capacity to underwrite insurance cost effectively, negatively impacting our revenue and earnings.

Due to Proposition 103 in California, we are currently limited in our ability to use telematics data beyond miles-driven to underwrite insurance, including data on how the car is driven. This has significantly hindered our ability to offer cost-competitive insurance policies in California and could impede our ability to offer insurance policies in other states if they were to pass similar laws or regulations.

Although there is currently limited federal and state legislation outside of California restricting our ability to collect driving behavior data, private organizations are implementing principles and guidelines to protect driver privacy. The Alliance of Automobile Manufacturers and Global Automakers established their Consumer Privacy Protection Principles to provide member automobile manufacturers with a framework with which to consider

privacy and build privacy into their products and services while the National Automobile Dealers Association has partnered with the Future of Privacy Forum to produce consumer education guidelines that explain the kinds of information that may be collected by consumers' cars, the guidelines that governs how it is collected and used, and the options consumers may have to protect their vehicle data. The Global Alliance for Vehicle Data Access is another organization that was formed to advocate for driver ownership of all vehicle data, particularly for insurance underwriting purposes. If federal or state legislators were to pass laws limiting our ability to collect driver data, particularly through driver's smartphones, such legislation could have a material adverse effect on our business, financial condition or results of operations.

Some state regulators have expressed interest about the use of external data sources, algorithms and/or predictive models in insurance underwriting or rating. Specifically, regulators have raised questions about the potential for unfair discrimination and lack of transparency associated with the use of external consumer data. A determination by federal or state regulators that the data points we collect and the process we use for collecting this data unfairly discriminates against a protected class of people could subject us to fines and other sanctions, including, but not limited to, disciplinary action, revocation and suspension of licenses, and withdrawal of product forms. Any such event could, in turn, materially and adversely affect our business, financial condition, results of operations and prospects. Although we have implemented policies and procedures into our business operations that we feel are appropriately calibrated to our machine learning and automation-driven operations, these policies and procedures may prove inadequate to manage our use of this nascent technology, resulting in a greater likelihood of inadvertent legal or compliance failures.

In addition, the National Association of Insurance Commissioners, or NAIC, recently announced on July 23, 2020 the formation of a new Race and Insurance Special Committee, or the Special Committee. The Special Committee is tasked with analyzing the level of diversity and inclusion within the insurance sector, identifying current practices in the insurance industry that disadvantage minorities and making recommendations to increase diversity and inclusion within the insurance sector and address practices that disadvantage minorities. The Special Committee may look into strengthening the unfair discrimination laws, such as prohibiting the use of credit scores in the underwriting of auto insurance. Any new unfair discrimination legislation that would prohibit us from using data that we currently use or plan to use in the future to underwrite insurance could negatively impact our business.

Regulators may also require us to disclose the external data we use, algorithms and/or predictive matters prior to approving our underwriting models and rates. Such disclosures could put our intellectual property at risk.

Additionally, existing laws, such as the California Consumer Privacy Act, or the CCPA, future laws, and evolving attitudes about privacy protection may impair our ability to collect, use, and maintain data points of sufficient type or quantity to develop and train our algorithms. If such laws or regulations were enacted federally or in a large number of states in which we operate, it could impact the integrity and quality of our pricing and underwriting processes.

***We depend on search engines, social media platforms, digital app stores, content-based online advertising and other online sources to attract consumers to our website and our mobile app both rapidly and cost-effectively. If these third parties change their listings or increase their pricing, if our relationship with them deteriorates or terminates, or due to other factors beyond our control, we may be unable to attract new customers rapidly and cost-effectively, which would adversely affect our business and results of operations.***

Our success depends on our ability to attract consumers to our website and our mobile app and convert them into customers in a rapid and cost-effective manner. We depend in large part on search engines, social media platforms, digital app stores, content-based online advertising and other online sources for traffic to our website and our mobile app, which are material sources for new consumers.

With respect to search engines, we are included in search results as a result of both paid search listings, where we purchase specific search terms that result in the inclusion of our advertisement, and free search listings, which depend on algorithms used by search engines. For paid search listings, if one or more of the search engines or other online sources on which we rely for purchased listings modifies or terminates its relationship with us, our expenses could rise if we are required to pay a higher price for such listings or if the alternatives we find are more expensive,

or we could lose consumers and traffic to our website could decrease, any of which could have a material adverse effect on our business, results of operations and financial condition. For free search listings, if search engines on which we rely for algorithmic listings modify their algorithms, our websites may appear less prominently or not at all in search results, which could result in reduced traffic to our websites, as a result of which we might attract fewer new customers.

Our ability to maintain or increase the number of consumers who purchase our products after being directed to our website or our mobile app from other digital platforms depends on many factors that are not within our control. Search engines, social media platforms and other online sources often revise their algorithms and introduce new advertising products. If one or more of the search engines or other online sources on which we rely for traffic to our website and our mobile app were to modify its general methodology for how it displays our advertisements or keyword search results, resulting in fewer consumers clicking through to our website and our mobile app, our business and operating results are likely to suffer. In addition, if our online display advertisements are no longer effective or are not able to reach certain consumers due to consumers' use of ad-blocking software, our business and operating results could suffer.

Additionally, changes in regulations could limit the ability of search engines and social media platforms, including but not limited to Google and Facebook, to collect data from users and engage in targeted advertising, making them less effective in disseminating our advertisements to our target customers. For example, the proposed Designing Accounting Safeguards to Help Broaden Oversight and Regulations on Data, or DASHBOARD, Act would mandate annual disclosure to the SEC of the type and "aggregate value" of user data used by harvesting companies, such as Facebook, Google and Amazon, including how revenue is generated by user data and what measures are taken to protect the data. If the costs of advertising on search engines and social media platforms increase, we may incur additional marketing expenses or be required to allocate a larger portion of our marketing spend to other channels and our business and operating results could be adversely affected. Similarly, changes to regulations applicable to the insurance brokerage and distribution business may limit our ability to rely on key distribution platforms, such as the Root API, if the third-party distribution platforms are unable to continue to distribute our insurance products without an insurance producer license pursuant to applicable insurance law and regulations.

The marketing of our insurance products depends on our ability to cultivate and maintain cost-effective and otherwise satisfactory relationships with digital app stores, in particular, those operated by Google and Apple. As we grow, we may struggle to maintain cost-effective marketing strategies, and our customer acquisition costs could rise substantially. Furthermore, because many of our customers access our insurance products through a mobile app, we depend on the Apple App Store and the Google Play Store to distribute our mobile app.

***Operating system platforms and application stores controlled by third parties, such as Apple and Google, may change their terms of service or policies in a manner that increases our costs or impacts our ability to distribute our mobile app, collect data through it, and market our products.***

We are subject to the terms of service and policies governing the operating system platforms on which our mobile app runs and the application stores through which we distribute our mobile app, such as those operated by Apple and Google. These terms of service and policies govern the distribution, operation and promotion of applications on such platforms and stores. These platforms and stores have broad discretion to change and interpret their terms of service and policies in a manner that adversely affects our business. For example, an operating system platform or application store may increase fees associated with access to it, restrict the collection of data through mobile apps that run on those platforms, restrict how that data is used and shared, and limit how mobile app publishers advertise online.

We rely on telematics to collect data points from customers' smartphones through our mobile app, which we evaluate in pricing and underwriting certain of our insurance policies, managing claims and customer support, and improving business processes. Limitations on our ability to collect, use or share telematics and other data derived from customer activities on smartphones, as well as new technologies that block our ability to collect, use or share such data, could significantly diminish the value of our platform and have an adverse effect on our ability to generate revenue.

Limitations or blockages on our ability to collect, use or share data derived from use of our mobile app may also restrict our ability to analyze such data to facilitate our product improvement, research and development and advertising activities. For example, in June 2020, Apple announced plans to require applications using its mobile operating systems to obtain an end-user's permission to track them or access their device's advertising identifier for advertising and advertising measurement purposes, as well as other restrictions that could adversely affect our business.

If we were to violate, or be perceived to have violated, the terms of service or policies of an operating system platform or application store, the provider may limit or block our access to it. It is possible that an operating system platform or application store might limit, eliminate or otherwise interfere with the distribution of our mobile app, the features we provide and the manner in which we market our mobile app, or give preferential treatment on their platforms or stores to a competitor. To the extent either or both of them do so, our business, results of operations and financial condition could be adversely affected.

Furthermore, one of the factors we use to evaluate our customer satisfaction and market position is our Apple App Store ratings. This rating, however, may not be a reliable indicator of our customer satisfaction relative to other companies who are rated on the Apple App Store since, to date, we have received a fraction of the number of reviews of some of the companies we benchmark against, and thus our number of positive reviews may not be as meaningful.

***If we are unable to expand our product offerings, maintain the quality of our products and levels of customer service or continue technological innovation and improvements, our prospects for future growth may be materially adversely affected.***

Our ability to attract and retain customers depends, in part, on our ability to successfully expand our product offerings. For example, we introduced our renters insurance product offering in July 2019 and our homeowners' insurance product offering in May 2020. Our success in the automobile insurance market depends on our deep understanding of this industry. To penetrate new vertical markets, we will need to develop a deep understanding of those new markets and the associated business challenges faced by participants in them. Developing this level of understanding may require substantial investments of time and resources, and we may not be successful. In addition to the need for substantial resources, insurance regulation could limit our ability to introduce new product offerings. These new insurance products could take months to be approved by regulatory authorities, or may not be approved at all. If we fail to penetrate new vertical markets successfully, our revenue may grow at a slower rate than we anticipate, and our business, results of operations and financial condition could be materially adversely affected. In addition, our decision to expand our insurance product offerings beyond the automobile, renters and homeowners insurance markets would subject us to additional regulatory requirements specific to those insurance products, which, in turn, could require us to incur additional costs or devote additional resources to compliance.

Furthermore, if we are unable to continue to provide high levels of customer service, our reputation as well as our future growth could be materially adversely affected. We must also maintain the quality of our product offerings by continuing to innovate and improve on our technology in order to continue future growth and successfully compete with other companies that are currently in, or may enter, the insurance space, or our reputation and future growth could be materially adversely affected.

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

Our success depends in significant part on our ability to expand into additional markets in the United States and abroad. We are currently licensed in 36 states of the United States and operate in 30 of those states. We plan to have a presence in all 50 states in the near term, but cannot guarantee that we will be able to provide nationwide coverage on that timeline or at all. Moreover, one or more states could revoke our license to operate, or implement additional regulatory hurdles that could preclude or inhibit our ability to obtain or maintain our license in such states. We have applied for licenses in ten states that have not been approved or were withdrawn. Root Insurance Company has one pending certificate of authority application with the Massachusetts Division of Insurance and has not had a license application denied by any insurance regulators. Generally, regulators in states in which our applications were

withdrawn preferred that Root Insurance Company seek approval at such time that we demonstrated an underwriting profit and/or willingness to commit to a risk-based capital position greater than what has been required by the Ohio Department of Insurance. In addition to growing our domestic business, we may also seek to expand outside of the United States. If we are successful in our efforts to expand abroad, operating outside of the United States may require significant management attention to oversee operations over a broad geographic area with varying cultural norms and customs, in addition to placing strain on our finance, analytics, compliance, legal, engineering, and operations teams.

As we seek to expand in the United States and abroad, we may incur significant operating expenses, although our expansion may not be successful for a variety of reasons, including because of:

- barriers to obtaining the required government approvals, licenses or other authorizations;
- failures in identifying and entering into joint ventures with strategic partners, both domestically and internationally, or entering into joint ventures that do not produce the desired results;
- challenges in, and the cost of, complying with various laws and regulatory standards, including with respect to the insurance business and insurance distribution, capital and outsourcing requirements, data privacy, tax and local regulatory restrictions;
- difficulty in recruiting and retaining licensed, talented and capable employees in foreign countries;
- competition from local incumbents that already own market share, better understand the local market, may market and operate more effectively and may enjoy greater local affinity or awareness;
- differing demand dynamics, which may make our product offerings less successful;
- currency exchange restrictions or costs and exchange rate fluctuations;
- our lack of experience in operating our business internationally;
- operating in jurisdictions that do not protect intellectual property rights to the same extent as the United States, and mechanisms for enforcement of intellectual property rights in some foreign countries may be inadequate; and
- limitations on the repatriation and investment of funds as well as foreign currency exchange restrictions.

Expansion into new markets in the United States and abroad will also require additional investments by us both in marketing and with respect to securing applicable regulatory approvals. These incremental costs may result from hiring additional personnel, from engaging third-party service providers and from incurring other research and development costs. If we invest substantial time and resources to expand our operations while our revenues from those additional operations do not exceed the expense of establishing and maintaining them, or if we are unable to manage these risks effectively, our business, results of operations and financial condition could be adversely affected. In addition, international expansion may increase our risks in complying with various laws and standards, including with respect to anti-corruption, anti-bribery, anti-money laundering, export controls, and trade and economic sanctions.

If we fail to grow our geographic footprint or geographic growth occurs at a slower rate than expected, our business, results of operations and financial condition could be materially and adversely affected.

***Our technology platform may not operate properly or as we expect it to operate.***

We utilize our technology platform to gather customer data in order to determine whether or not to write and how to price our insurance products. Similarly, we use our technology platform to process many of our claims. Our technology platform is expensive and complex, its continuous development, maintenance and operation may entail unforeseen difficulties including material performance problems or undetected defects or errors. We may encounter technical obstacles, and it is possible that we may discover additional problems that prevent our technology from

operating properly. If our platform does not function reliably, we may incorrectly select our customers, price insurance products for our customers or incorrectly pay or deny claims made by our customers. These errors could result in selecting an uneconomic mix of customers; in customer dissatisfaction with us, which could cause customers to cancel or fail to renew their insurance policies with us or make it less likely that prospective customers obtain new insurance policies; in causing us to underprice policies or overpay claims; or in causing us to incorrectly deny policyholder claims and become subject to liability. Additionally, technology platform errors may lead to unintentional bias and discrimination in the underwriting process, which could subject us to legal or regulatory liability and harm our brand and reputation. Any of these eventualities could result in a material adverse effect on our business, results of operations and financial condition.

While we believe our telematics-based pricing model to be more fair to consumers, it may yield results that customers find unfair. For instance, we may quote certain drivers higher premiums than our competitors, if our model determines that the driver is higher risk even though their higher-risk driving has not resulted in a claim. Such perception of unfairness could negatively impact our brand and reputation.

***Regulators may limit our ability to develop or implement our telematics-based pricing model and/or may eliminate or restrict the confidentiality of our proprietary technology.***

Our future success depends on our ability to continue to develop and implement our telematics-based pricing model, and to maintain the confidentiality of our proprietary technology. Changes to existing regulations, their interpretation or implementation, or new regulations could impede our use of this technology, or require that we disclose our proprietary technology to our competitors, which could negatively impact our competitive position and result in a material adverse effect on our business, results of operations, and financial condition. For example, a November 2020 ballot measure in California would, if adopted, enact the California Privacy Rights and Enforcement Act, which mandates issuance of regulations providing California residents with the right to information about the logic of certain algorithmic decisions about them and the right to opt-out of such decisions. Such regulation could require disclosure of our proprietary technology, limit the effectiveness of our products and reduce demand for them.

***Our brand may not become as widely known or accepted as incumbents' brands or the brand may become tarnished.***

Many of our competitors have brands that are well-recognized. As a relatively new entrant into the insurance market, we have spent, and expect that we will for the foreseeable future continue to spend, considerable amounts of money and other resources on creating brand awareness and building our reputation. We may not be able to build brand awareness to levels matching our competitors, and our efforts at building, maintaining and enhancing our reputation could fail and/or may not be cost-effective. Complaints or negative publicity about our business practices, our marketing and advertising campaigns (including marketing affiliations or partnerships), our compliance with applicable laws and regulations, the integrity of the data that we provide to consumers or business partners, data privacy and security issues, and other aspects of our business, whether real or perceived, could diminish confidence in our brand, which could adversely affect our reputation and business. As we expand our product offerings and enter new markets, we will need to establish our reputation with new customers, and to the extent we are not successful in creating positive impressions, our business in these newer markets could be adversely affected. While we may choose to engage in a broader marketing campaign to further promote our brand, this effort may not be successful or cost effective. If we are unable to maintain or enhance our reputation or enhance consumer awareness of our brand in a cost-effective manner, our business, results of operations and financial condition could be materially adversely affected.

***We may not continue to grow at historical rates or achieve or maintain profitability in the future.***

Our limited operating history may make it difficult to evaluate our current business and our future prospects. While our revenue has grown in recent periods, this growth rate may not be sustainable and should not be considered indicative of future performance, and we may not realize sufficient revenue to achieve or maintain profitability. As we grow our business, we expect our revenue growth rates may slow in future periods due to a number of reasons, which may include slowing demand for our service, increasing competition, a decrease in the growth of our overall

market, and our failure to capitalize on growth opportunities or the maturation of our business. We have incurred net losses on an annual basis since our inception, and may incur significant losses in the future for a number of reasons, including insufficient growth in the number of customers, a failure to retain our existing customers, and increasing competition, as well as other risks described in these Risk Factors, and we may encounter unforeseen expenses, difficulties, complications and delays and other unknown factors. We expect to continue to make investments in the development and expansion of our business, which may not result in increased or sufficient revenue or growth, as a result of which we may not be able to achieve or maintain profitability.

***We may not be able to manage our growth effectively.***

Our rapid growth has placed and may continue to place significant demands on our management and our operational and financial resources. For example, we grew our employee base from 254 as of December 31, 2018 to 786 as of December 31, 2019. We have hired and expect to continue hiring additional personnel to support our rapid growth. Our organizational structure is becoming more complex as we add staff, and we will need to enhance our operational, financial and management controls as well as our reporting systems and procedures as we transition from being a private company to a public company. We will require significant capital expenditures and the allocation of valuable management resources to grow and change in these areas without undermining our corporate culture of rapid innovation, teamwork and attention to the insurance-buying experience for the customer. If we cannot manage our growth effectively to maintain the quality and efficiency of our customers' insurance-buying experience as well as the cost-effectiveness of our insurance products, as well as their experience as ongoing customers, our business could be harmed as a result, and our results of operations and financial condition could be materially and adversely affected.

***We expect a number of factors to cause our results of operations to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance.***

Our revenue and results of operations could vary significantly from quarter to quarter and year to year, and may fail to match periodic expectations as a result of a variety of factors, many of which are outside of our control. Our results may vary from period to period as a result of fluctuations in the number of customers purchasing our insurance products and renewing their agreements with us as well as fluctuations in the timing and amount of our expenses. In addition, the insurance industry is subject to its own cyclical trends and uncertainties, including extreme weather which is often seasonal and may result in volatility in claims reporting and payment patterns. Fluctuations and variability across the industry may also affect our revenue. As a result, comparing our results of operations on a period-to-period basis may not be meaningful, and the results of any one period should not be relied on as an indication of future performance. Our results of operations may not meet the expectations of investors or public market analysts who follow us, which may adversely affect our stock price. In addition to other risk factors discussed in this "Risk Factors" section and elsewhere in this prospectus, factors that may contribute to the variability of our quarterly and annual results include:

- our ability to attract new customers and retain existing customers, including in a cost-effective manner;
- our ability to accurately forecast revenue and losses and appropriately plan our expenses;
- the effects of changes in search engine placement and prominence;
- the effects of increased competition on our business;
- our ability to successfully maintain our position in and expand in existing markets as well as successfully enter new markets;
- our ability to protect our existing intellectual property and to create new intellectual property;
- our ability to maintain an adequate rate of growth and effectively manage that growth;
- our ability to keep pace with technology changes in the insurance, mobile and automobile industries;
- the success of our sales and marketing efforts;

- costs associated with defending claims, including accident and coverage claims, intellectual property infringement claims, misclassifications and related judgments or settlements;
- the impact of, and changes in, governmental or other regulation affecting our business;
- the attraction and retention of qualified employees and key personnel;
- our ability to choose and effectively manage third-party service providers;
- our ability to identify and engage in joint ventures and strategic partnerships, both domestically and internationally;
- the effects of natural or man-made catastrophic events;
- the effectiveness of our internal controls; and
- changes in our tax rates or exposure to additional tax liabilities.

***We rely on highly skilled and experienced personnel and if we are unable to attract, retain or motivate key personnel or hire qualified personnel, our business may be seriously harmed. In addition, the loss of key senior management personnel could harm our business and future prospects.***

Our performance largely depends on the talents and efforts of highly-skilled individuals. Our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly skilled and experienced personnel and, if we are unable to hire and train a sufficient number of qualified employees for any reason, we may not be able to maintain or implement our current initiatives or grow, or our business may contract and we may lose market share. Moreover, certain of our competitors or other insurance or technology businesses may seek to hire our employees. We cannot assure you that our equity incentives and other compensation will provide adequate incentives to attract, retain and motivate employees in the future, particularly if the market price of our Class A common stock does not increase or declines. If we do not succeed in attracting, retaining and motivating highly qualified personnel, our business may be seriously harmed.

We depend on our senior management, including Alexander Timm and Dan Manges, our co-founders, and Daniel Rosenthal, our Chief Financial Officer, as well as other key personnel. We may not be able to retain the services of any of our senior management or other key personnel, as their employment is at-will and they could leave at any time. If we lose the services of one or more of our senior management and other key personnel, including as a result of the COVID-19 pandemic, we may not be able to successfully manage our business, meet competitive challenges or achieve our growth objectives. Further, to the extent that our business grows, we will need to attract and retain additional qualified management personnel in a timely manner, and we may not be able to do so. Our future success depends on our continuing ability to identify, hire, develop, motivate, retain and integrate highly skilled personnel in all areas of our organization.

***New legislation or legal requirements may affect how we communicate with our customers, which could have a material adverse effect on our business model, financial condition, and results of operations.***

State and federal lawmakers and insurance regulators are focusing upon the use of artificial intelligence broadly, including concerns about transparency, deception, and fairness in particular. Changes in laws or regulations, or changes in the interpretation of laws or regulations by a regulatory authority, specific to the use of artificial intelligence, may decrease our revenues and earnings and may require us to change the manner in which we conduct some aspects of our business. We may also be required to disclose our proprietary software to regulators, putting our intellectual property at risk, in order to receive regulatory approval to use such artificial intelligence in the underwriting of insurance and/or the payment of claims. In addition, our business and operations are subject to various U.S. federal, state, and local consumer protection laws, including laws which place restrictions on the use of automated tools and technologies to communicate with wireless telephone subscribers or consumers generally. For example, a California law, effective as of July 2019, makes it unlawful for any person to use a bot to communicate with a person in California online with the intent to mislead the other person about its artificial identity for the purpose of knowingly deceiving the person about the content of the communication in order to incentivize a

purchase of goods or services in a commercial transaction. Although we have taken steps to mitigate our liability for violations of this and other laws restricting the use of electronic communication tools, no assurance can be given that we will not be exposed to civil litigation or regulatory enforcement. Further, to the extent that any changes in law or regulation further restrict the ways in which we communicate with prospective or current customers before or during onboarding, customer care, or claims management, these restrictions could result in a material reduction in our customer acquisition and retention, reducing the growth prospects of our business, and adversely affecting our financial condition and future cash flows.

***Severe weather events and other catastrophes, including the effects of climate change, are inherently unpredictable and may have a material adverse effect on our financial results and financial condition.***

Our business may be exposed to catastrophic events such as tornadoes, tsunamis, tropical storms (including hurricanes), earthquakes, windstorms, hailstorms, severe thunderstorms, wildfires and other fires, as well as non-natural events such as explosions, riots, terrorism, or war, which could cause operating results to vary significantly from one period to the next. We may incur catastrophe losses in our business in excess of: (1) those experienced in prior years, (2) the average expected level used in pricing, (3) current reinsurance coverage limits, or (4) loss estimates from external tornado, hail, hurricane and earthquake models at various levels of probability. In addition, we are subject to claims arising from weather events such as winter storms, rain, hail and high winds. The incidence and severity of weather conditions are largely unpredictable. There is generally an increase in the frequency and severity of claims when severe weather conditions occur.

The incidence and severity of severe weather conditions and catastrophes are inherently unpredictable and the occurrence of one catastrophe does not render the possibility of another catastrophe greater or lower. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. In particular, severe weather and other catastrophes could significantly increase our costs due to a surge in claims following such events and/or legal and regulatory changes in response to catastrophes that may impair our ability to limit our liability under our policies. Severe weather conditions and catastrophes can cause greater losses for us, which can cause our liquidity and financial condition to deteriorate. We carry event reinsurance coverage for severe weather events, although very large events, or multiple large events, could exhaust the coverage limits. In addition, reinsurance placed in the market also carries some counterparty credit risk.

Climate change may affect the occurrence of certain natural events, such as an increase in the frequency or severity of wind and thunderstorm events, eruptions of volcanoes, and tornado or hailstorm events due to increased convection in the atmosphere; more frequent wildfires in certain geographies; higher incidence of deluge flooding and the potential for an increase in severity of the hurricane events due to higher sea surface temperatures. Additionally, climate change may cause an impact on the demand, price and availability of insurance, as well as the value of our investment portfolio. Due to significant variability associated with future changing climate conditions, we are unable to predict the impact climate change will have on our business.

***Denial of claims or our failure to accurately and timely pay claims could materially and adversely affect our business, financial condition, results of operations, and prospects.***

Under the terms of our policies, we are required to accurately and timely evaluate and pay claims. Our ability to do so depends on a number of factors, including the efficacy of our claims processing, the training and experience of our claims adjusters, including our third-party claims administrators, and our ability to develop or select and implement appropriate procedures and systems to support our claims functions.

We believe that the speed at which our technology-based claims processing platform allows us to process and pay claims is a differentiating factor for our business relative to our competitors, and an increase in the average time to process claims could lead to customer dissatisfaction and undermine our reputation and position in the insurance marketplace. If our claims adjusters or third party claims administrators are unable to effectively process our volume of claims, our ability to grow our business while maintaining high levels of customer satisfaction could be compromised, which in turn, could adversely affect our operating margins. Any failure to pay claims accurately or timely could also lead to regulatory and administrative actions or other legal proceedings and litigation against us, or

result in damage to our reputation, any one of which could materially and adversely affect our business, financial condition, results of operations, and prospects.

***Unexpected increases in the frequency or severity of claims may adversely affect our results of operations and financial condition.***

Our business may experience volatility in claim frequency from time to time, and short-term trends may not continue over the longer term. Changes in claim frequency may result from changes in mix of business, miles driven, distracted driving, macroeconomic or other factors. A significant increase in claim frequency could have an adverse effect on our results of operations and financial condition.

Changes in bodily injury claim severity are impacted by inflation in medical costs, litigation trends and precedents, regulation and the overall safety of automobile travel. Changes in auto property damage claim severity are driven primarily by inflation in the cost to repair vehicles, including parts and labor rates, the mix of vehicles that are declared total losses, model year mix as well as used car values. While actuarial models for pricing and reserving typically include an expected level of inflation, unanticipated increases in claim severity can arise from events that are inherently difficult to predict. Although we pursue various loss management initiatives to mitigate future increases in claim severity, there can be no assurances that these initiatives will successfully identify or reduce the effect of future increases in claim severity.

***Failure to maintain our risk-based capital at the required levels could adversely affect our ability to maintain regulatory authority to conduct our business.***

We are required to have sufficient capital and surplus in order to comply with insurance regulatory requirements, support our business operations and minimize our risk of insolvency. The NAIC has developed a system to test the adequacy of statutory capital and surplus of U.S.-based insurers, known as risk-based capital, that all states have adopted. This system establishes the minimum amount of capital and surplus necessary for an insurance company to support its overall business operations in consideration of its size and risk profile. It identifies insurers that may be inadequately capitalized by looking at certain risk factors, including asset risk, credit risk and underwriting risk with respect to the insurer's business in order to determine an insurer's authorized control level risk-based capital. An insurer's risk-based capital ratio measures the relationship between its total adjusted capital and its authorized control level risk-based capital.

Insurers with a ratio falling below certain calculated thresholds may be subject to varying degrees of regulatory action, including heightened supervision, examination, rehabilitation or liquidation. An insurance company with total adjusted capital that is less than 200% of its authorized control level risk-based capital is at a company action level, which would require the insurance company to file a risk-based capital plan that, among other things, contains proposals of corrective actions the company intends to take that are reasonably expected to result in the elimination of the company action level event. Additional action level events occur when the insurer's total adjusted capital falls below 150%, 100% and 70% of its authorized control level risk-based capital. Lower percentages trigger increasingly severe regulatory responses. In the event of a mandatory control level event (triggered when an insurer's total adjusted capital falls below 70% of its authorized control level risk-based capital), an insurer's primary regulator is required to take steps to place the insurer into receivership.

In addition, the NAIC Insurance Regulatory Information System, or the IRIS, is a collection of analytical tools designed to provide state insurance regulators with an integrated approach to screening and analyzing the financial condition of insurance companies operating in their respective states. If our ratios fall outside of the usual range for one or more ratios set forth by the IRIS for any number of reasons, it could subject us to heightened regulatory scrutiny or measures, or create investor uncertainty around the stability of our financial condition, which could harm our business. We have disclosed to the Ohio Department of Insurance, or the Ohio DOI, that certain of our ratios fall outside the usual range for one or more IRIS ratio factors. The Ohio DOI has acknowledged this and taken no regulatory action.

Further, the NAIC has promulgated a Model Regulation to Define Standards and Commissioner's Authority for Companies Deemed to be in Hazardous Financial Condition, or the Hazardous Financial Condition Standards, which has been adopted by states in whole or part. If our financial condition is deemed by state insurance regulators to

meet the Hazardous Financial Conditions Standards, it could subject us to heightened regulatory scrutiny or measures, or create uncertainty around the stability of our financial condition, which could harm our business. The Ohio DOI has determined that our financial condition does meet certain of those standards and requires us to provide the DOI with monthly financial reports.

Similarly, our wholly-owned, Cayman Islands-based captive reinsurer, Root Re, is subject to additional capital and other regulatory requirements imposed by the Cayman Islands Monetary Authority, or CIMA. Although these capital requirements are generally less constraining than U.S. capital requirements, failure to satisfy these requirements could result in regulatory actions from the CIMA or loss of or modification of Root Re's Class B(iii) insurer license, which could adversely impact our ability to improve our overall capital efficiency and support our capital-light model.

As a new entrant to the insurance industry, we may face additional capital and surplus requirements as compared to those of our larger and more established competitors. Failure to maintain adequate risk-based capital at the required levels could result in increasingly onerous reporting and examination requirements and could adversely affect our ability to maintain regulatory authority to conduct our business. See the section titled "Regulation — Risk-Based Capital" for additional information.

***We are subject to assessments and other surcharges from state guaranty funds, which may reduce our profitability.***

We are subject to statutory property and casualty guaranty fund assessments in many states in which we do business, and during the year ended December 31, 2019, we contributed an aggregate of approximately $6,000 to such funds. The purpose of a guaranty fund is to protect customers in a particular state by requiring that solvent property and casualty insurers pay the insurance claims of insolvent insurers in such state. These guaranty associations generally pay these claims by assessing solvent insurers proportionately based on each insurer's share of voluntary premiums written in the state.

Maximum contributions required by law in any one year vary by state. We cannot predict with certainty the amount of future assessments because they depend on factors outside our control, such as insolvencies of other insurance companies. Significant assessments due to a rise in insurance insolvencies could have a material adverse effect on our financial condition and results of operations. See the section titled "Regulation — Insolvency Funds and Associations, Mandatory Pools, and Insurance Facilities" for additional information.

***New or changing technologies, including those impacting personal transportation, could cause a disruption in our business model, which may materially impact our results of operations and financial condition.***

If we fail to anticipate the impact on our business of changing technology, including automotive technology, our ability to successfully operate may be materially impaired. Our business could also be affected by potential technological changes, such as autonomous or partially autonomous vehicles or technologies that facilitate ride, car or home sharing, or vehicles with built-in telematics features. Such changes could disrupt the demand for products from current customers, create coverage issues or impact the frequency or severity of losses, or reduce the size of the automobile insurance market, causing our business to decline. Since auto insurance constitutes substantially all of our business, we are more sensitive than other insurers and more adversely affected by trends that could decrease auto insurance rates or reduce demand for auto insurance over time. We may not be able to respond effectively to these changes, which could have a material effect on our results of operations and financial condition.

***Security incidents, or real or perceived errors, failures or bugs in our systems, website or app could impair our operations, compromise our confidential information or our customers' personal information, damage our reputation and brand, and harm our business and operating results.***

Our continued success depends on our systems, applications, and software continuing to operate and to meet the changing needs of our customers and users. We rely on our technology and engineering staff and vendors to successfully implement changes to and maintain our systems and services in an efficient and secure manner. Like all information systems and technology, our website and mobile app may contain or develop material errors, failures, vulnerabilities or bugs, particularly when new features or capabilities are released, and may be subject to computer

viruses or malicious code, break-ins, phishing impersonation attacks, attempts to overload our servers with denial-of-service or other attacks, ransomware and similar incidents or disruptions from unauthorized use of our computer systems, as well as unintentional incidents causing data leakage, any of which could lead to interruptions, delays or website or mobile app shutdowns.

Operating our business and products involves the collection, storage, use and transmission of sensitive, proprietary and confidential information, including personal information, pertaining to our current, prospective and past customers, staff, contractors, and business partners. The security measures we take to protect this information may be breached as a result of computer malware, viruses, social engineering, ransomware attacks, hacking and cyberattacks, including by state-sponsored and other sophisticated organizations. Such incidents have become more prevalent in recent years. For example, attempts to fraudulently induce our personnel into disclosing usernames, passwords or other information that can be used to access our systems and the information in them have increased and could be successful. Our security measures could also be compromised by our personnel, theft or errors, or be insufficient to prevent exploitation of security vulnerabilities in software or systems on which we rely. Such incidents have in the past resulted in unauthorized access to certain personal information, and may in the future result in unauthorized, unlawful or inappropriate use, destruction or disclosure of, access to, or inability to access the sensitive, proprietary and confidential information that we handle. These incidents may remain undetected for extended periods of time.

We rely on third-party service providers to provide critical services that help us deliver our solutions and operate our business. These providers may support or operate critical business systems for us or store or process the same sensitive, proprietary and confidential information that we handle. These service providers may not have adequate security measures and could experience a security incident that compromises the confidentiality, integrity or availability of the systems they operate for us or the information they process on our behalf. Such occurrences could adversely affect our business to the same degree as if we had experienced these occurrences directly and we may not have recourse to the responsible third-party service providers for the resulting liability we incur.

Because there are many different cybercrime and hacking techniques and such techniques continue to evolve, we may be unable to anticipate attempted security breaches, react in a timely manner or implement adequate preventative measures. While we have developed systems and processes designed to protect the integrity, confidentiality and security of our and our customers' confidential and personal information under our control, we cannot assure you that any security measures that we or our third party service providers have implemented will be effective against current or future security threats.

A security breach or other security incident, or the perception that one has occurred, could result in a loss of customer confidence in the security of our platform and damage to our reputation and brand; reduce demand for our insurance products; disrupt normal business operations; require us to expend significant capital and resources to investigate and remedy the incident and prevent recurrence; and subject us to litigation, regulatory enforcement action, fines, penalties, and other liability, which could adversely affect our business, financial condition and results of operations. Even if we take steps that we believe are adequate to protect us from cyber threats, hacking against our competitors or other companies in our industry could create the perception among our customers or potential customers that our digital platform is not safe to use. Security incidents could also damage our IT systems and our ability to make the financial reports and other public disclosures required of public companies. These risks are likely to increase as we continue to grow and process, store and transmit an increasingly large volume of data.

***We may be unable to prevent, monitor or detect fraudulent activity, including policy acquisitions or payments of claims that are fraudulent in nature.***

If we fail to maintain adequate systems and processes to prevent, monitor and detect fraud, including fraudulent policy acquisitions or claims activity, or if inadvertent errors occur with such prevention, monitoring and detection systems due to human or computer error, our business could be materially adversely impacted. While we believe past incidents of fraudulent activity have been relatively isolated, we cannot be certain that our systems and processes will always be adequate in the face of increasingly sophisticated and ever-changing fraud schemes. We use a variety of tools to protect against fraud, but these tools may not always be successful at preventing such fraud.

Instances of fraud may result in increased costs, including possible settlement and litigation expenses, and could have a material adverse effect on our business and reputation.

***We are subject to a full scope examination by our primary state insurance regulator, which could result in adverse examination findings and necessitate remedial actions.***

Periodically, our domiciliary regulator, Ohio DOI, performs examinations of insurance companies under its jurisdiction to assess compliance with applicable laws and regulations, financial condition and the conduct of regulated activities. We are currently undergoing, but have not completed, our five-year financial examination with the Ohio DOI, which includes a specific examination of our pricing and underwriting methodologies as well as our regulatory capital. If, as a result of this examination, Ohio DOI determines that our financial condition, capital resources or other aspects of any of our operations are not satisfactory, or that we have violated applicable laws or regulations, Ohio DOI may subject us to fines or other penalties and/or require us to take one or more remedial actions or otherwise subject us to regulatory scrutiny, such as pursuant to an enforcement action or, in the case of regulatory capital, require us to obtain additional capital. The results of the examinations are a matter of public record, and our reputation may also be harmed by such penalties.

In addition, insurance regulators of other states in which we are licensed to operate may also conduct periodic financial examinations or other targeted investigations or inquiries. We are currently subject to a market conduct examination in the state of Delaware and have received notice of an intent to conduct a market conduct examination in Virginia. Any regulatory or enforcement action or any regulatory order imposing remedial, injunctive, or other corrective action against us resulting from these examinations could have a material adverse effect on our business, reputation, financial condition or results of operations. See the section titled “Regulation — Periodic Examinations” for additional information.

***We are subject to stringent and changing privacy and data security laws, regulations, and standards related to data privacy and security. Our actual or perceived failure to comply with such obligations could harm our reputation, subject us to significant fines and liability, or adversely affect our business.***

In the United States, insurance companies are subject to the privacy provisions of the federal Gramm-Leach-Bliley Act and the NAIC Insurance Information and Privacy Protection Model Act, as adopted and implemented by certain state legislatures and insurance regulators. The regulations implementing these laws require insurance companies to disclose their privacy practices to consumers, allow them to opt-in or opt-out, depending on the state, of the sharing of certain personal information with unaffiliated third parties, and maintain certain security controls to protect their information. Violators of these laws face regulatory enforcement action, substantial civil penalties, injunctions, and in some states, private lawsuits for damages.

Privacy and data security regulation in the United States is rapidly evolving. For example, California recently enacted the CCPA, which became effective January 1, 2020. The CCPA gives California residents expanded rights to access and require deletion of their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches, which is expected to increase the volume and success of class action data breach litigation. In addition to increasing our compliance costs and potential liability, the CCPA’s restrictions on “sales” of personal information may restrict our use of cookies and similar technologies for advertising purposes. The CCPA excludes information covered by Gramm-Leach-Bliley Act, the Driver’s Privacy Protection Act or the California Financial Information Privacy Act from the CCPA’s scope, but the CCPA’s definition of “personal information” is broad and may encompass other information that we maintain. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States, and multiple states have enacted or proposed similar laws. There is also discussion in Congress of new comprehensive federal data protection and privacy law to which we likely would be subject if it is enacted.

In addition, if California voters approve a November 2020 ballot measure proposing enactment of the California Consumer Privacy Rights and Enforcement Act, the requirements of the CCPA itself will expand substantially. The Act would give consumers the ability to limit use of precise geolocation information and other categories of information classified as “sensitive”; add e-mail addresses and passwords to the list of personal information that, if

lost or breach, would give the affected consumers the right to bring private lawsuits; increase the maximum penalties threefold for violations concerning consumers under age 16; and establish the California Privacy Protection Agency to implement and enforce the new law, as well as impose administrative fines. The effects of the CCPA, and other similar state or federal laws, are potentially significant and may require us to modify our data processing practices and policies, incur substantial compliance costs and subject us to increased potential liability.

In addition to privacy and data security requirements under applicable laws, we are subject to the Payment Card Industry Data Security Standard, or PCI DSS, a self-regulatory standard that requires companies that process payment card data to implement certain data security measures. If we or our payment processors fail to comply with the PCI DSS, we may incur significant fines or liability and lose access to major payment card systems. Industry groups may in the future adopt additional self-regulatory standards by which we are legally or contractually bound.

If we expand into Europe, we may also face particular privacy, data security, and data protection risks in connection with requirements of the General Data Protection Regulation (E.U.) 2016/679, or GDPR, and other data protection regulations. Among other stringent requirements, the GDPR restricts transfers of data outside of the E.U. to third countries deemed to lack adequate privacy protections (such as the U.S.), unless an appropriate safeguard specified by the GDPR is implemented. A July 16, 2020 decision of the Court of Justice of the European Union invalidated a key mechanism for lawful data transfer to the U.S. and called into question the viability of its primary alternative. As such, the ability of companies to lawfully transfer personal data from the E.U. to the U.S. is presently uncertain. Other countries have enacted or are considering enacting similar cross-border data transfer rules or data localization requirements. These developments could limit our ability to deliver our products in the E.U. and other foreign markets. In addition, any failure or perceived failure to comply with these rules may result in regulatory fines or penalties including orders that require us to change the way we process data.

Additionally, we are subject to the terms of our privacy policies, privacy-related disclosures, and contractual and other privacy-related obligations to our customers and other third parties. Any failure or perceived failure by us or third parties we work with to comply with these policies, disclosures, and obligations to customers or other third parties, or privacy or data security laws may result in governmental or regulatory investigations, enforcement actions, regulatory fines, criminal compliance orders, litigation or public statements against us by consumer advocacy groups or others, and could cause customers to lose trust in us, all of which could be costly and have an adverse effect on our business.

***We rely on our mobile application to execute our business strategy. Government regulation of the internet and the use of mobile applications in particular is evolving, and unfavorable changes could seriously harm our business.***

We rely on our mobile application to execute our business strategy. We are subject to general business regulations and laws as well as federal and state regulations and laws specifically governing the internet and the use of mobile applications in particular. Existing and future laws and regulations may impede the growth of the internet or other online services, and increase the cost of providing online services. These regulations and laws may involve taxes, tariffs, privacy and data security, anti-spam, content protection, electronic contracts and communications, electronic signatures and consents, consumer protection and social media marketing. It is at times not clear how existing laws governing issues such as property ownership, sales and other taxes and consumer privacy apply to the internet and the use of mobile applications in particular, as the vast majority of these laws were adopted prior to the advent of the internet and the use of mobile applications and do not contemplate or address the unique issues raised by the internet. It is possible that general business regulations and laws, or those specifically governing the internet and the use of mobile applications in particular, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot be sure that our practices have complied, currently comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business and proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business and decrease the use of our mobile application or website by consumers and suppliers and may result in the imposition of monetary liability. We may also be contractually liable

to indemnify and hold harmless third parties from the costs or consequences of non-compliance with any such laws or regulations.

***Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services and brand.***

Our trade secrets, trademarks, copyrights and other intellectual property rights are important assets for us. We rely on, and expect to continue to rely on, various agreements with our employees, independent contractors, consultants and third parties with whom we have relationships, as well as trademark, trade dress, domain name, copyright, and trade secret laws, to protect our brand and other intellectual property rights. Such agreements may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, intellectual property or technology, and we may fail to consistently obtain, police and enforce such agreements. Additionally, various factors outside our control pose a threat to our intellectual property rights, as well as to our products, services and technologies. For example, we may fail to obtain effective intellectual property protection, or effective intellectual property protection may not be available in every country in which our products and services are available. Also, the efforts we have taken to protect our intellectual property rights may not be sufficient or effective, and any of our intellectual property rights may be challenged, which could result in them being narrowed in scope or declared invalid or unenforceable. Despite our efforts to protect our proprietary rights, there can be no assurance our intellectual property rights will be sufficient to protect against others offering products or services that are substantially similar to ours and compete with our business or that unauthorized parties may attempt to copy aspects of our technology and use information that we consider proprietary.

In addition to registered intellectual property rights such as trademark registrations, we rely on non-registered proprietary information and technology, such as trade secrets, confidential information, know-how and technical information. Certain information or technology that we endeavor to protect as trade secrets may not be eligible for trade secret protection in all jurisdictions, or the measures we undertake to establish and maintain such trade secret protection may be inadequate. In order to protect our proprietary information and technology, we rely in part on agreements with our employees, investors, independent contractors and other third parties that place restrictions on the use and disclosure of this intellectual property. These agreements may not adequately protect our trade secrets, these agreements may be breached, or this intellectual property, including trade secrets, may otherwise be disclosed or become known to our competitors, which could cause us to lose any competitive advantage resulting from this intellectual property. To the extent that our employees, independent contractors or other third parties with whom we do business use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. Current or future legal requirements may require us to disclose certain proprietary information or technology, such as our proprietary algorithms, to regulators or other third parties, including our competitors, which could impair or result in the loss of trade secret protection for such information or technology. The loss of trade secret protection could make it easier for third parties to compete with our products and services by copying functionality. In addition, any changes in, or unexpected interpretations of, intellectual property laws may compromise our ability to enforce our trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain protection of our trade secrets or other proprietary information could harm our business, results of operations and competitive position.

We have filed, and may continue in the future to file, applications to protect certain of our innovations and intellectual property. We do not know whether any of our applications will result in the issuance of a patent, trademark or copyright, as applicable, or whether the examination process will require us to narrow our claims or otherwise limit the scope of such intellectual property. In addition, we may not receive competitive advantages from the rights granted under our intellectual property. Our existing intellectual property, and any intellectual property granted to us or that we otherwise acquire in the future, may be contested, circumvented or invalidated, and we may not be able to prevent third parties from infringing our rights to our intellectual property. Therefore, the exact effect of the protection of this intellectual property cannot be predicted with certainty. Because obtaining patent protection requires disclosing our inventions to the public, such disclosure may facilitate our competitors developing improvements to our innovations. In addition, given the costs, effort, risks and downside of obtaining patent protection, including the requirement to ultimately disclose the invention to the public, we may choose not to seek

patent protection for certain innovations. Any failure to adequately obtain such patent protection, or other intellectual property protection, could later prove to adversely impact our business.

We currently hold various domain names relating to our brand, including joinroot.com and rootinsurance.com. Failure to protect our domain names could adversely affect our reputation and brand and make it more difficult for users to find our website and our mobile app. We may be unable, without significant cost or at all, to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights.

We may be required to spend significant resources in order to monitor and protect our intellectual property rights, and some violations may be difficult or impossible to detect. Litigation to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could impair the functionality of our platform, delay introductions of enhancements to our platform, result in our substituting inferior or more costly technologies into our platform or harm our reputation or brand. In addition, we may be required to license additional technology from third parties to develop and market new offerings or platform features, which may not be on commercially reasonable terms or at all and could adversely affect our ability to compete.

Although we take measures to protect our intellectual property, if we are unable to prevent the unauthorized use or exploitation of our intellectual property, the value of our brand, content, and other intangible assets may be diminished, competitors may be able to more effectively mimic our service and methods of operations, the perception of our business and service to customers and potential customers may become confused, and our ability to attract customers may be adversely affected. Any inability or failure to protect our intellectual property could adversely impact our business, results of operations and financial condition. While we take precautions designed to protect our intellectual property, it may still be possible for competitors and other unauthorized third parties to copy our technology and use our proprietary brand, content and information to create or enhance competing solutions and services, which could adversely affect our competitive position in our rapidly evolving and highly competitive industry. Some license provisions that protect against unauthorized use, copying, transfer and disclosure of our technology may be unenforceable under the laws of certain jurisdictions and foreign countries. While we enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with our third-party providers and strategic partners, we cannot assure you that these agreements will be effective in controlling access to, and use and distribution of, our products and proprietary information. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our offerings.

***Some of our products and services contain open source software, which may pose particular risks to our proprietary software, products, and services in a manner that could have a negative effect on our business.***

We use open source software in our products and services and anticipate continuing to use open source software in the future. Some open source software licenses require those who distribute open source software as part of their own software product to publicly disclose all or part of the source code of such software product or to make available any derivative works of the open source code on unfavorable terms or at no cost, and we may be subject to such terms. The terms of certain open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Additionally, we could face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we develop using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer such source code to eliminate use of such open source software. This re-engineering process could require us to expend significant additional research and development resources, and we may not be able to complete the re-engineering process successfully. In addition to

risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties, assurance of title or controls on the origin or operation of the open source software, which are risks that cannot be eliminated, and could, if not properly addressed, negatively affect our business. We have established processes to help alleviate these risks, including a review process for screening requests from our development teams for the use of open source software, but we cannot be sure that all of our use of open source software is in a manner that is consistent with our current policies and procedures, or will not subject us to liability. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business, financial condition and operating results.

***Claims by others that we infringed their proprietary technology or other intellectual property rights could harm our business.***

Companies in the internet and technology industries are frequently subject to litigation based on allegations of infringement or other violations of intellectual property rights. In addition, certain companies and rights holders seek to enforce and monetize patents or other intellectual property rights they own, have purchased or have otherwise obtained. As we gain an increasingly high public profile, the possibility of intellectual property rights claims against us grows. From time to time, third parties may assert claims of infringement of intellectual property rights against us. Although we believe that we will likely have meritorious defenses, there can be no assurance that we will be successful in defending against these allegations or in reaching a business resolution that is satisfactory to us. Our competitors and others may now and in the future have significantly larger and more mature patent portfolios than us. In addition, future litigation may involve patent holding companies or other adverse patent owners who have no relevant product or service revenue and against whom our own patents may therefore provide little or no deterrence or protection. Many potential litigants, including some of our competitors and patent-holding companies, have the ability to dedicate substantial resources to the assertion of their intellectual property rights. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim, could distract our management from our business and could require us to cease use of such intellectual property. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, we risk compromising our confidential information during this type of litigation. We may be required to pay substantial damages, royalties or other fees in connection with a claimant securing a judgment against us, we may be subject to an injunction or other restrictions that prevent us from using or distributing our intellectual property, or from operating under our brand, or we may agree to a settlement that prevents us from distributing our offerings or a portion thereof, which could adversely affect our business, results of operations and financial condition.

With respect to any intellectual property rights claim, we may have to seek out a license to continue operations found or alleged to violate such rights, which may not be available on favorable or commercially reasonable terms and may significantly increase our operating expenses. Some licenses may be non-exclusive, and therefore our competitors may have access to the same technology licensed to us. If a third party does not offer us a license to its intellectual property on reasonable terms, or at all, we may be required to develop alternative, non-infringing technology, which could require significant time (during which we would be unable to continue to offer our affected offerings), effort and expense and may ultimately not be successful. Any of these events could adversely affect our business, results of operations and financial condition.

***We may be subject to compliance obligations arising from medical information privacy regulations.***

By processing certain personal injury data on behalf of our clients, we may be subject to compliance obligations under privacy and data security-related laws specific to the protection of healthcare or medical information. Although we may be subject to the Health Insurance Portability and Accountability Act, or HIPAA, the Health Information Technology for Economic and Clinical Health Act, or HITECH Act, and comparable state laws, we do not have a process in place to assess or align our privacy and security practices specifically against requirements for protecting medical information.

***We may be unable to prevent or address the misappropriation of our data.***

From time to time, third parties may misappropriate our data through website scraping, bots or other means and aggregate this data on their websites with data from other companies. In addition, copycat websites or mobile apps may misappropriate data and attempt to imitate our brand or the functionality of our website or our mobile app. If we become aware of such websites or mobile apps, we intend to employ technological or legal measures in an attempt to halt their operations. However, we may be unable to detect all such websites or mobile apps in a timely manner and, even if we could, technological and legal measures may be insufficient to halt their operations. In some cases, particularly in the case of websites or mobile apps operating outside of the United States, our available remedies may not be adequate to protect us against the effect of the operation of such websites or mobile apps. Regardless of whether we can successfully enforce our rights against the operators of these websites or mobile apps, any measures that we may take could require us to expend significant financial or other resources, which could harm our business, results of operations or financial condition. In addition, to the extent that such activity creates confusion among consumers or advertisers, our brand and business could be harmed.

***If our customers were to claim that the policies they purchased failed to provide adequate or appropriate coverage, we could face claims that could harm our business, results of operations and financial condition.***

Although we aim to provide adequate and appropriate coverage under each of our policies, customers could purchase policies that prove to be inadequate or inappropriate. If such customers were to bring a claim or claims alleging that we failed in our responsibilities to provide them with the type or amount of coverage that they sought to purchase, we could be found liable for amounts significantly in excess of the policy limit, resulting in an adverse effect on our business, results of operations and financial condition. While we maintain agents errors and omissions insurance coverage to protect us against such liability, such coverage may be insufficient or inadequate.

***If we are unable to underwrite risks accurately or charge competitive yet profitable rates to our customers, our business, results of operations and financial condition will be adversely affected.***

In general, the premiums for our insurance policies are established at the time a policy is issued and, therefore, before all of our underlying costs are known. The accuracy of our pricing depends on our ability to adequately assess risks, estimate losses and comply with state insurance regulations. Like other insurance companies, we rely on estimates and assumptions in setting our premium rates. We also utilize the data that we gather through our interactions with our customers, as evaluated and curated by our technology-based pricing platform.

Establishing adequate premium rates is necessary, together with investment income, if any, to generate sufficient revenue to offset losses, LAE, and other costs. If we do not accurately assess the risks that we underwrite, the premiums that we charge may not be adequate to cover our losses and expenses, which would adversely affect our results of operations and our profitability. Moreover, if we determine that our prices are too low, insurance regulations may preclude us from being able to cancel insurance contracts, non-renew customers, or raise premiums. Alternatively, we could set our premiums too high, which could reduce our competitiveness and lead to fewer customers and lower revenues, which could have a material adverse effect on our business, results of operations and financial condition.

Pricing involves the acquisition and analysis of historical loss data and the projection of future trends, loss costs and expenses, and inflation trends, among other factors, for each of our products in multiple risk tiers and many different markets. In order to accurately price our policies, we must:

- collect and properly analyze a substantial volume of data from our customers;
- develop, test and apply appropriate actuarial projections and rating formulas;
- review and evaluate competitive product offerings and pricing dynamics;
- closely monitor and timely recognize changes in trends; and
- project both frequency and severity of our customers' losses with reasonable accuracy.

There are no assurances that we will have success in implementing our pricing methodology accurately in accordance with our assumptions. Our ability to accurately price our policies is subject to a number of risks and uncertainties, including:

- insufficient or unreliable data;
- incorrect or incomplete analysis of available data;
- uncertainties generally inherent in estimates and assumptions;
- our failure to implement appropriate actuarial projections and rating formulas or other pricing methodologies;
- incorrect or incomplete analysis of the competitive environment;
- regulatory constraints on rate increases; and
- our failure to accurately estimate investment yields and the duration of our liability for loss and loss adjustment expenses, as well as unanticipated court decisions, legislation or regulatory action.

To address the potential inadequacy of our current business model, we may be compelled to increase the amount allocated to cover policy claims, increase premium rates or adopt tighter underwriting standards, any of which may result in a decline in new business and renewals and, as a result, could have a material adverse effect on our business, results of operations and financial condition.

***Our exposure to loss activity and regulation may be greater in states where we currently have most of our customers: Texas, Georgia and Kentucky.***

Approximately 40.1% of our gross written premium for the six months ended June 30, 2020 originated from customers in Texas, Georgia and Kentucky. As a result of this concentration, if a significant catastrophe event or series of catastrophe events occur, such as the recent outbreak of COVID-19, and cause material losses in Texas, Georgia or Kentucky, our business, financial condition and results of operation could be materially adversely affected. Further, as compared to our competitors who operate on a wider geographic scale, any adverse changes in the regulatory environment affecting property and casualty insurance in Texas, Georgia or Kentucky may expose us to more significant risks.

***Our product development cycles are complex and subject to regulatory approval, and we may incur significant expenses before we generate revenues, if any, from new products.***

Because our products are highly technical and require rigorous testing and regulatory approvals, development cycles can be complex. Moreover, development projects can be technically challenging and expensive, and may be delayed or defeated by the inability to obtain licensing or other regulatory approvals. The nature of these development cycles may cause us to experience delays between the time we incur expenses associated with research and development and the time we generate revenues, if any, from such expenses. If we expend a significant amount of resources on research and development and our efforts do not lead to the successful introduction or improvement of products that are competitive in the marketplace, this could materially and adversely affect our business and results of operations. Additionally, anticipated customer demand for a product we are developing could decrease after the development cycle has commenced. Such decreased customer demand may cause us to fall short of our sales targets, and we may nonetheless be unable to avoid substantial costs associated with the product's development. If we are unable to complete product development cycles successfully and in a timely fashion and generate revenues from such future products, the growth of our business may be harmed.

***New lines of business or new products and services may subject us to additional risks.***

From time to time, we may implement or may acquire new lines of business, including those outside of the insurance industry, or offer new products and services within existing lines of business. There are risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed or are

evolving. In developing and marketing new lines of business and new products and services, we may invest significant time and resources. In addition, new business ventures may require different strategic management competencies and risk considerations compared to those of a traditional insurance company or compared to those of our existing management team. External factors, such as regulatory compliance obligations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have an adverse effect on our business, results of operations and financial condition.

***Litigation and legal proceedings filed by or against us and our subsidiaries could have a material adverse effect on our business, results of operations and financial condition.***

From time to time, we are subject to allegations, and may be party to litigation and legal proceedings relating to our business operations. Litigation and other proceedings may include complaints from or litigation by customers or reinsurers, related to alleged breaches of contract or otherwise. We expect that as our market share increases, competitors may pursue litigation to require us to change our business practices or offerings and limit our ability to compete effectively.

As is typical in the insurance industry, we continually face risks associated with litigation of various types arising in the normal course of our business operations, including disputes relating to insurance claims under our policies as well as other general commercial and corporate litigation. Although we are not currently involved in any material litigation with our customers, members of the insurance industry are periodically the target of class action lawsuits and other types of litigation, some of which involve claims for substantial or indeterminate amounts, and the outcomes of which are unpredictable. This litigation is based on a variety of issues, including sale of insurance and claim settlement practices. In addition, because we employ a technology platform to collect customer data, it is possible that customers or consumer groups could bring individual or class action claims alleging that our methods of collecting data and pricing risk are impermissibly discriminatory. We cannot predict with any certainty whether we will be involved in such litigation in the future or what impact such litigation would have on our business. If we were to be involved in litigation and it was determined adversely, it could require us to pay significant damages or to change aspects of our operations, either of which could have a material adverse effect on our financial results. Even claims without merit can be time-consuming and costly to defend, and may divert management's attention and resources away from our business and adversely affect our business, results of operations and financial condition. Additionally, routine lawsuits over claims that are not individually material could in the future become material if aggregated with a substantial number of similar lawsuits. In addition to increasing costs, a significant volume of customer complaints or litigation could also adversely affect our brand and reputation, regardless of whether such allegations have merit or whether we are liable. We cannot predict with certainty the costs of defense, the costs of prosecution, insurance coverage or the ultimate outcome of litigation or other proceedings filed by or against us, including remedies or damage awards, and adverse results in such litigation, and other proceedings may harm our business and financial condition.

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

As of December 31, 2019, we had federal income tax net operating losses, or NOLs, of approximately $320.0 million available to offset our future taxable income, if any, prior to consideration of annual limitations that may be imposed under Section 382 of the Code, or otherwise. Of our NOLs, $208.8 million of losses will begin to expire in 2035 and $111.2 million of losses can be carried forward indefinitely.

We may be unable to fully use our NOLs, if at all. Under Section 382 of the Code, if a corporation undergoes an "ownership change" (very generally defined as a greater than 50% change, by value, in the corporation's equity ownership by certain shareholders or groups of shareholders over a rolling three-year period), the corporation's ability to use its pre-ownership change NOLs to offset its post-ownership change income may be limited. We have experienced ownership changes in the past, and we may experience ownership changes in the future as a result of subsequent shifts in our stock ownership, including this offering, some of which may be outside of our control. If we undergo an ownership change, we may be prevented from fully utilizing our NOLs existing at the time of the ownership change prior to their expiration. Future regulatory changes could also limit our ability to utilize our

NOLs. To the extent we are not able to offset future taxable income with our NOLs, our net income and cash flows may be adversely affected.

The Tax Cuts and Jobs Act, or the Tax Act, as modified by the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, among other things, includes changes to U.S. federal tax rates and the rules governing NOL carryforwards. For federal NOLs arising in tax years beginning after December 31, 2017, the Tax Act as modified by the CARES Act limits a taxpayer's ability to utilize NOL carryforwards in taxable years beginning after December 31, 2020 to 80% of taxable income. In addition, federal NOLs arising in tax years beginning after December 31, 2017 can be carried forward indefinitely, but carryback of NOLs are generally permitted to the prior five taxable years only for NOLs arising in taxable years beginning before 2021 and after 2017. Deferred tax assets for NOLs will need to be measured at the applicable tax rate in effect when the NOLs are expected to be utilized. The new limitation on use of NOLs may significantly impact our ability to utilize our NOLs to offset taxable income in the future. In addition, for state income tax purposes, there may be periods during which the use of net operating loss carryforwards is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. For example, California recently imposed limits on the usability of California state net operating losses to offset taxable income in tax years beginning after 2019 and before 2023.

***Future acquisitions or investments could disrupt our business and harm our financial condition.***

In the future we may pursue acquisitions or investments that we believe will help us achieve our strategic objectives. There is no assurance that such acquisitions or investments will perform as expected or will be successfully integrated into our business or generate substantial revenue, and we may overestimate cash flow, underestimate costs or fail to understand the risks of or of related to any investment or acquired business. The process of acquiring a business, product or technology can also cause us to incur various expenses and create unforeseen operating difficulties, expenditures and other challenges, whether or not those acquisitions are consummated, such as:

- intense competition for suitable acquisition targets, which could increase prices and adversely affect our ability to consummate deals on favorable or acceptable terms;
- inadequacy of reserves for losses and loss adjustment expenses;
- failure or material delay in closing a transaction, including as a result of regulatory review and approvals;
- regulatory conditions attached to the approval of the acquisition and other regulatory hurdles;
- a need for additional capital that was not anticipated at the time of the acquisition;
- anticipated benefits not materializing or being lower than anticipated;
- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- transition of the acquired company's customers;
- difficulties in integrating the technologies, operations, existing contracts and personnel of an acquired company;
- retention of employees or business partners of an acquired company;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company's accounting, management information, human resources and other administrative systems;
- the need to implement or improve controls, procedures and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;

- coordination of product development and sales and marketing functions;
- theft of our trade secrets or confidential information that we share with potential acquisition candidates;
- risk that an acquired company or investment in new offerings cannibalizes a portion of our existing business;
- adverse market reaction to an acquisition;
- liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, users, former stockholders or other third parties.

If we are unable to address these difficulties and challenges or other problems encountered in connection with any future acquisition or investment, we might not realize the anticipated benefits of that acquisition or investment and we might incur unanticipated liabilities or otherwise suffer harm to our business generally.

To the extent that we pay the consideration for any future acquisitions or investments in cash, it would reduce the amount of cash available to us for other purposes. Future acquisitions or investments could also result in dilutive issuances of our equity securities or the incurrence of debt, contingent liabilities, amortization expenses, increased interest expenses or impairment charges against goodwill on our consolidated balance sheet, any of which could seriously harm our business.

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

***The insurance business, including the market for automobile, renters and homeowners insurance, is historically cyclical in nature, and we may experience periods with excess underwriting capacity and unfavorable premium rates, which could adversely affect our business.***

Historically, insurers have experienced significant fluctuations in operating results due to competition, frequency and severity of catastrophic events, levels of capacity, adverse litigation trends, regulatory constraints, general economic conditions, and other factors. The supply of insurance is related to prevailing prices, the level of insured losses and the level of capital available to the industry that, in turn, may fluctuate in response to changes in rates of return on investments being earned in the insurance industry. As a result, the insurance business historically has been a cyclical industry characterized by periods of intense price competition due to excessive underwriting capacity as well as periods when shortages of capacity increased premium levels. Demand for insurance depends on numerous factors, including the frequency and severity of catastrophic events, levels of capacity, the introduction of new capital providers and general economic conditions. All of these factors fluctuate and may contribute to price declines generally in the insurance industry.

We cannot predict with certainty whether market conditions will improve, remain constant or deteriorate. Negative market conditions may impair our ability to underwrite insurance at rates we consider appropriate and commensurate relative to the risk assumed. Additionally, negative market conditions could result in a decline in policies sold, an increase in the frequency of claims and premium defaults, and an uptick in the frequency of falsification of claims. If we cannot underwrite insurance at appropriate rates, our ability to transact business will be materially and adversely affected. Any of these factors could lead to an adverse effect on our business, results of operations and financial condition.

***Reinsurance may be unavailable at current levels and prices, which may limit our ability to underwrite new policies. Furthermore, reinsurance subjects us to counterparty risk and may not be adequate to protect us against losses, which could have a material effect on our results of operations and financial condition.***

Reinsurance is a contract by which an insurer, which may be referred to as the ceding insurer, agrees with a second insurer, called a reinsurer, that the reinsurer will cover a portion of the losses incurred by the ceding insurer

in the event a claim is made under a policy issued by the ceding insurer, in exchange for a premium. Our regulated insurance subsidiary, Root Insurance Company, obtains reinsurance to help manage its exposure to property and casualty insurance risks. Although our reinsurance counterparties are liable to us according to the terms of the reinsurance policies, we remain primarily liable to our policyholders as the direct insurers on all risks reinsured. As a result, reinsurance does not eliminate the obligation of our regulated insurance subsidiary to pay all claims, and we are subject to the risk that one or more of our reinsurers will be unable or unwilling to honor its obligations, that the reinsurers will not pay in a timely fashion, or that our losses are so large that they exceed the limits inherent in our reinsurance contracts, limiting recovery. We are also subject to the risk that under applicable insurance laws and regulations we may not be able to take credit for the reinsurance on our financial statements and instead would be required to hold separate admitted assets as reserves to cover claims on the risks that we have ceded to the reinsurer. Reinsurers may become financially unsound by the time that they are called upon to pay amounts due, which may not occur for many years, in which case we may have no legal ability to recover what is due to us under our agreement with such reinsurer. Any disputes with reinsurers regarding coverage under reinsurance contracts could be time consuming, costly, and uncertain of success.

Market conditions beyond our control impact the availability and cost of the reinsurance we purchase. No assurances can be made that reinsurance will remain continuously available to us to the same extent and on the same terms and rates as is currently available, as such availability depends in part on factors outside of our control. A new contract may not provide sufficient reinsurance protection. Market forces and external factors, such as significant losses from hurricanes or terrorist attacks or an increase in capital and surplus requirements, impact the availability and cost of the reinsurance we purchase. If we were unable to maintain our current level of reinsurance or purchase new reinsurance protection in amounts that we consider sufficient at acceptable prices, we would have to either accept an increase in our catastrophe exposure, reduce our insurance underwritings, or develop or seek other alternatives.

The unavailability of acceptable reinsurance protection would have a materially adverse impact on our business model, which depends on reinsurance companies to absorb any unfavorable variance from the level of losses anticipated at underwriting. If we are unable to obtain adequate reinsurance at reasonable rates, we would have to increase our risk exposure or reduce the level of our underwriting commitments, each of which could have a material adverse effect upon our business volume and profitability. Alternatively, we could elect to pay higher than reasonable rates for reinsurance coverage, which could have a material adverse effect upon our profitability unless policy premium rates could be raised, in most cases subject to approval by state regulators, to offset this additional cost.

***Reinsurance subjects us to risks of our reinsurers and may not be adequate to protect us against losses arising from ceded insurance, which could have a material effect on our results of operations and financial condition.***

The collectability of reinsurance recoverables is subject to uncertainty arising from a number of factors, including changes in market conditions, whether insured losses meet the qualifying conditions of the reinsurance contract and whether reinsurers, their affiliates, or certain regulatory bodies have the financial capacity and willingness to make payments under the terms of a reinsurance treaty or contract. Any disruption, volatility and uncertainty in the financial reinsurance markets may decrease our ability to access such markets on favorable terms or at all. In addition, we are subject to the risk that one or more of our reinsurers will not honor its obligations, that the reinsurers will not pay in a timely fashion, or that our losses are so large that they exceed the limits inherent in our reinsurance contracts, limiting recovery. Reinsurers may become financially unsound by the time that they are called upon to pay amounts due, which may not occur for many years, in which case we may have no legal ability to recover what is due to us under our agreement with such reinsurer. In addition, any disputes with reinsurers regarding coverage under reinsurance contracts could be time consuming, costly, and uncertain of success. Our inability to collect a material recovery from a reinsurer could have a material effect on our results of operations and financial condition.

***We are subject to extensive regulation and potential further restrictive regulation may increase our operating costs and limit our growth.***

We are subject to extensive laws and regulations by the individual state insurance departments in the states in which we transact business and the Cayman Island Monetary Authority as it pertains to our captive reinsurance company. These laws and regulations are complex and subject to change. Changes may sometimes lead to additional expenses, increased legal exposure, increased required reserves or capital and surplus, and additional limits on our ability to grow or to achieve targeted profitability. Regulations to which our licensed insurance carriers and producer subsidiaries are subject include, but are not limited to:

- prior approval of transactions resulting in a change of "control";
- approval of policy forms and premiums;
- approval of intercompany service agreements;
- statutory and risk-based capital solvency requirements, including the minimum capital and surplus our regulated insurance subsidiary must maintain;
- establishing minimum reserves that insurance carriers must hold to pay projected insurance claims;
- required participation by our regulated insurance subsidiary in state guaranty funds;
- restrictions on the type and concentration of our regulated insurance subsidiary's investments;
- restrictions on the advertising and marketing of insurance;
- restrictions on the adjustment and settlement of insurance claims;
- restrictions on the use of rebates to induce a policyholder to purchase insurance;
- restrictions on the sale, solicitation and negotiation of insurance;
- restrictions on the sharing of insurance commissions and payment of referral fees;
- prohibitions on the underwriting of insurance on the basis of race, sex, religion and other protected classes;
- restrictions on our ability to use telematics to underwrite and price insurance policies, such as in California;
- restrictions on the ability of our regulated insurance subsidiary to pay dividends to us or enter into certain related party transactions without prior regulatory approval;
- rules requiring the maintenance of statutory deposits for the benefit of policyholders;
- privacy regulation and data security;
- regulation of corporate governance and risk management;
- periodic examinations of operations, finances, market conduct and claims practices; and required periodic financial reporting.

To the extent we decide to expand our current product offerings to include other insurance products, this would subject us to additional regulatory requirements and scrutiny in each state in which we elect to offer such products. Several states have also adopted legislation prohibiting unfair methods of competition and unfair or deceptive acts and practices in the business of insurance as well as unfair claims practices. Prohibited practices include, but are not limited to, misrepresentations, false advertising, coercion, disparaging other insurers, unfair claims settlement procedures, and discrimination in the business of insurance. See the section titled "Regulation — Unfair Claims Practices" for additional information. Noncompliance with any of such state statutes may subject us to regulatory action by the relevant state insurance regulator, and possibly private litigation. States also regulate various aspects of

the contractual relationships between insurers and independent agents as well as, in certain states, insurers and third-party administrators.

Although state insurance regulators have primary responsibility for administering and enforcing insurance regulations in the United States, such laws and regulations are further administered and enforced by a number of additional governmental authorities, each of which exercises a degree of interpretive latitude, including state securities administrators; state attorneys general as well as federal agencies including the SEC, the Financial Industry Regulatory Authority, the Federal Reserve Board, the Federal Insurance Office, the U.S. Department of Labor, the U.S. Department of Justice and the National Labor Relations Board. Consequently, compliance with any particular regulator's or enforcement authority's interpretation of a legal issue may not result in compliance with another's interpretation of the same issue, particularly when compliance is judged in hindsight. Such regulations or enforcement actions are often responsive to current consumer and political sensitivities, which may arise after a major event. Such rules and regulations may result in rate suppression, limit our ability to manage our exposure to unprofitable or volatile risks, or lead to fines, premium refunds or other adverse consequences. The federal government also may regulate aspects of our businesses, such as the protection of consumer confidential information or the use of consumer insurance (credit) scores to underwrite and assess the risk of customers under the Fair Credit Reporting Act, or FCRA. Among other things, the FCRA requires that insurance companies (i) have a permissible purpose before obtaining and using a consumer report for underwriting purposes and (ii) comply with related notice and recordkeeping requirements. Failure to comply with federal requirements under the FCRA or any other applicable federal laws could subject us to regulatory fines and other sanctions. In addition, given our short operating history to-date and rapid rate of growth, we are vulnerable to regulators identifying errors in the policy forms we use, the rates we charge, with respect to our customer communications. As a result of such noncompliance, regulators could impose fines, rebates or other penalties, including cease-and-desist orders with respect to our operations in an individual state, or all states, until the identified noncompliance is rectified.

In addition, there is risk that any particular regulator's or enforcement authority's interpretation of a legal issue or the scope of a regulator's authority may change over time to our detriment. There is also a risk that changes in the overall legal environment may cause us to change our views regarding the actions we need to take from a legal risk management perspective. This would necessitate changes to our practices that may adversely impact our business. Furthermore, in some cases, these laws and regulations are designed to protect or benefit the interests of a specific constituency rather than a range of constituencies. State insurance laws and regulations are generally intended to protect the interests of purchasers or users of insurance products, rather than the holders of securities that we issue. For example, state insurance laws are generally prescriptive with respect to the content and timeliness of notices we must provide policyholders. We recently became aware that we likely failed to comply with certain notice period timeliness requirements when cancelling a number of policies for nonpayment, as a result of which we could be liable for claims made under those policies. We are currently working to determine the exact extent to which cancellations were affected, and currently cannot predict with any certainty what impact, if any, these non-cancellations may have on our business, results of operations and financial condition, although this impact could be material. Failure to comply with other state insurance laws and regulations in the future could also have a material adverse effect on our business, operating results and financial condition. As another example, the federal government could pass a law expanding its authority to regulate the insurance industry, expanding federal regulation over our business to our detriment. These laws and regulations may limit our ability to grow, to raise additional capital or to improve the profitability of our business.

Our ability to retain state licenses depends on our ability to meet licensing requirements established by the NAIC and adopted by each state, subject to variations across states. If we are unable to satisfy the applicable licensing requirements of any particular state, we could lose our license to do business in that state, which would result in the temporary or permanent cessation of our operations in that state. Alternatively, if we are unable to satisfy applicable state licensing requirements, we may be subject to additional regulatory oversight, have our license suspended, or be subject to the seizure of assets. Any such events could adversely affect our business, results of operations or financial condition. See the sections titled (i) "Regulation — Insurance Regulation", (ii) "Regulation — Insurance Holding Company Regulation" and (iii) "Regulation — Required Licensing" for additional information.

***A regulatory environment that requires rate increases to be approved and that can dictate underwriting practices and mandate participation in loss sharing arrangements may adversely affect our results of operations and financial condition.***

From time to time, political events and positions affect the insurance market, including efforts to suppress rates to a level that may not allow us to reach targeted levels of profitability. For example, if our loss ratio compares favorably to that of the industry, state or provincial regulatory authorities may impose rate rollbacks, require us to pay premium refunds to policyholders, or challenge or otherwise delay our efforts to raise rates even if the property and casualty industry generally is not experiencing regulatory challenges to rate increases. Such challenges affect our ability to obtain approval for rate changes that may be required to achieve targeted levels of profitability and returns on equity. In particular due to the COVID-19 pandemic, state regulators and legislators are under increased political pressure to provide financial relief to policyholders through premium rebates or requiring insurers to pay claims arising from COVID-19 related losses, regardless of the applicable policy's exclusions. See the section titled "Regulation — Rate Regulation" for additional information.

In addition, certain states have enacted laws that require an insurer conducting business in that state to participate in assigned risk plans, reinsurance facilities and joint underwriting associations. Certain states also require insurers to offer coverage to all consumers, often restricting an insurer's ability to charge the price it might otherwise charge. In these markets, we may be compelled to underwrite significant amounts of business at lower-than-desired rates, possibly leading to an unacceptable return on equity. Laws and regulations of many states also limit an insurer's ability to withdraw from one or more lines of insurance there, except pursuant to a plan that is approved by the state insurance department. Additionally, as addressed above, certain states require insurers to participate in guaranty funds for impaired or insolvent insurance companies. These funds periodically assess losses against all insurance companies doing business in the state. See the section titled "Regulation — Insolvency Funds and Associations, Mandatory Pools, and Insurance Facilities" for additional information. Our results of operations and financial condition could be adversely affected by any of these factors.

***State insurance regulators impose additional reporting requirements regarding enterprise risk on insurance holding company systems, with which we must comply as an insurance holding company.***

In the past decade, various state insurance regulators have increased their focus on risks within an insurer's holding company system that may pose enterprise risk to the insurer. In 2012, the NAIC adopted significant amendments to the Insurance Holding Company Act and related regulations, or NAIC Amendments. The NAIC Amendments are designed to respond to perceived gaps in the regulation of insurance holding company systems in the United States. One of the major changes is a requirement that an insurance holding company system's ultimate controlling person submit annually to its lead state insurance regulator an "enterprise risk report" that identifies activities, circumstances or events involving one or more affiliates of an insurer that, if not remedied properly, are likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. As the ultimate controlling person in the insurance holding company system, we are required to file an annual enterprise risk report. Other changes include the requirement that a controlling person to submit prior notice to its domiciliary insurance regulator of a divestiture of control, having detailed minimum requirements for cost sharing and management agreements between an insurer and its affiliates and expanding of the agreements between an insurer and its affiliates to be filed with its domiciliary insurance regulator. The NAIC Amendments must be adopted by the individual state legislatures and insurance regulators in order to be effective. See the section titled "Regulation — Insurance Holding Company Regulation" for additional information.

In 2012, the NAIC also adopted the Risk Management and Own Risk and Solvency Assessment Model Act, or the ORSA Model Act. The ORSA Model Act, as adopted by the various states, requires an insurance holding company system's Chief Risk Officer to submit annually to its lead state insurance regulator an Own Risk and Solvency Assessment Summary Report, or ORSA. The ORSA is a confidential internal assessment appropriate to the nature, scale and complexity of an insurer, conducted by that insurer of the material and relevant risks identified by the insurer associated with an insurer's current business plan and the sufficiency of capital resources to support those risks. The ORSA Model Act must be adopted by the individual state legislature and insurance regulators in order to be effective. We cannot predict the impact, if any, that any other regulatory requirements may have on our

business, financial condition or results of operations. See the section titled "Regulation — ORSA" for additional information.

There is also risk that insurance holding company systems may become subject to group capital requirements at the holding company level. The NAIC is currently working to develop a group capital calculation framework that regulators may use for informational purposes. As envisioned, the framework is intended to complement the current holding company analytics framework by providing additional information to the lead state regulator for use in assessing group risks and capital adequacy. The NAIC has not promulgated a model law or regulation on this subject.

***The increasing adoption by states of cybersecurity regulations could impose additional compliance burdens on us and expose us to additional liability.***

In response to the growing threat of cyber-attacks in the insurance industry, certain jurisdictions have begun to consider new cybersecurity measures, including the adoption of cybersecurity regulations. On October 24, 2017, the NAIC adopted its Insurance Data Security Model Law, or the Insurance Data Security Model Law, intended to serve as model legislation for states to enact in order to govern cybersecurity and data protection practices of insurers, insurance agents, and other licensed entities registered under state insurance laws. Alabama, Connecticut, Delaware, Louisiana, Michigan, Mississippi, New Hampshire, Ohio, Indiana, South Carolina and Virginia have adopted versions of the Insurance Data Security Model Law, each with a different effective date, and other states may adopt versions of the Insurance Data Security Model Law in the future. The New York Department of Financial Services has promulgated its own Cybersecurity Requirements for Financial Services Companies that is not based upon the Insurance Data Security Model Law and requires insurance companies to establish and maintain a cybersecurity program and implement and maintain cybersecurity policies and procedures with specific requirements. In addition, some jurisdictions, such as Massachusetts, Nevada and California have enacted more generalized data security laws that apply to certain data that we process. Although we take steps to comply with financial industry cybersecurity regulations and other data security laws and believe we are materially compliant with their requirements, our failure to comply with new or existing cybersecurity regulations could result in material regulatory actions and other penalties. In addition, efforts to comply with new or existing cybersecurity regulations could impose significant costs on our business, which could materially and adversely affect our business, financial condition or results of operations.

***We rely on technology and intellectual property from third parties for pricing and underwriting our insurance policies, handling claims and maximizing automation, the unavailability or inaccuracy of which could limit the functionality of our products and disrupt our business.***

We use technology and intellectual property licensed from unaffiliated third parties in certain of our products, and we may license additional third-party technology and intellectual property in the future. Any errors or defects in this third-party technology and intellectual property could result in errors that could harm our brand and business. In addition, licensed technology and intellectual property may not continue to be available on commercially reasonable terms, or at all.

Further, although we believe that there are currently adequate replacements for the third-party technology and intellectual property we presently use, the loss of our right to use any of this technology and intellectual property could result in delays in producing or delivering affected products until equivalent technology or intellectual property is identified, licensed or otherwise procured, and integrated. Our business would be disrupted if any technology and intellectual property we license from others or functional equivalents of this software were either no longer available to us or no longer offered to us on commercially reasonable terms or prices. In either case, we would be required either to attempt to redesign our products to function with technology and intellectual property available from other parties or to develop these components ourselves, which would result in increased costs and could result in delays in product sales and the release of new product offerings. Alternatively, we might be forced to limit the features available in affected products. Any of these results could harm our business, results of operations and financial condition.

***We are subject to payment processing risk.***

We currently rely exclusively on one third-party vendor to provide payment processing services, including the processing of payments from credit cards and debit cards, and our business would be disrupted if this vendor refuses to provide these services to us and we are unable to find a suitable replacement on a timely basis or at all. If we or our processing vendor fail to maintain adequate systems for the authorization and processing of credit card transactions, it could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if these systems fail to work properly and, as a result, we do not charge our customers' credit cards on a timely basis or at all, our business, revenue, results of operations and financial condition could be harmed.

The payment methods that we offer also subject us to potential fraud and theft by criminals, who are becoming increasingly more sophisticated, seeking to obtain unauthorized access to or exploit weaknesses that may exist in the payment systems. If we fail to comply with applicable rules or requirements for the payment methods we accept, or if payment-related data are compromised due to a breach of data, we may be liable for significant costs incurred by payment card issuing banks and other third parties or subject to fines and higher transaction fees, or our ability to accept or facilitate certain types of payments may be impaired. In addition, our customers could lose confidence in certain payment types, which may result in a shift to other payment types or potential changes to our payment systems that may result in higher costs. If we fail to adequately control fraudulent credit card transactions, we may face civil liability, diminished public perception of our security measures, and significantly higher credit card-related costs, each of which could harm our business, results of operations and financial condition.

***Our success depends upon the insurance industry continuing to move online at its current pace and the continued growth and acceptance of online and mobile app-based products and services as effective alternatives to traditional offline products and services.***

We provide automobile and homeowners insurance products through our website and our online and mobile apps that compete with traditional offline counterparts. We do not offer insurance through traditional, offline brokers. We believe that the continued growth and acceptance of online products and services as well as those offered through mobile devices generally will depend, to a large extent, on the continued growth in commercial use of the internet and mobile apps, and the continued migration of traditional offline markets and industries online.

Purchasers of insurance may develop the perception that purchasing insurance products online or through a mobile app is not as effective as purchasing such products through a broker or other traditional offline methods, and the insurance market may not migrate online as quickly as (or at the levels that) we expect. Moreover, if, for any reason, an unfavorable perception develops that telematics, mobile engagement, a technology-based platform and/or bots are less efficacious than traditional offline methods of purchasing insurance, underwriting, claims processing, and other functions that use data automation, artificial intelligence and/or bots, or that our processes lead to unfair outcomes, our business, results of operations and financial condition could be adversely affected.

***Our actual incurred losses may be greater than our loss and loss adjustment expense reserves, which could have a material adverse effect on our financial condition and results of operations.***

Our financial condition and results of operations depend on our ability to accurately price risk and assess potential losses and loss adjustment expenses under the terms of the policies we underwrite. Reserves do not represent an exact calculation of liability. Rather, reserves represent an estimate of what the expected ultimate settlement and administration of claims will cost, and the ultimate liability may be greater or less than the current estimate. In our industry, there is always the risk that reserves may prove inadequate since we may underestimate the cost of claims and claims administration.

We base our estimates on our assessment of known facts and circumstances, as well as estimates of future trends in claim severity, claim frequency, judicial theories of liability, and other factors. These variables are affected by both internal and external events that could increase our exposure to losses, including changes in actuarial projections, claims handling procedures, inflation, severe weather, climate change, economic and judicial trends and legislative and regulatory changes. We regularly monitor reserves using new information on reported claims and a

variety of statistical techniques to update our current estimate. Our estimates could prove to be inadequate, and this underestimation could have a material adverse effect on our financial condition.

Recorded claim reserves, including case reserves and incurred but not reported, or IBNR, claims reserves, are based on our estimates of losses after considering known facts and interpretations of the circumstances, including settlement agreements. Additionally, models that rely on the assumption that past loss development patterns will persist into the future are used. Internal factors are considered including our experience with similar cases, actual claims paid, historical trends involving claim payment patterns, pending levels of unpaid claims, loss management programs, product mix, state mix, contractual terms industry payment and reporting patterns, and changes in claim reporting, and settlement practices. External factors are also considered, such as court decisions, changes in law and litigation imposing unintended coverage. We also consider benefits, such as requiring the availability of multiple limits for a single loss occurrence. Regulatory requirements and economic conditions are also considered.

Since reserves are estimates of the unpaid portion of losses and expenses for events that have occurred, including IBNR losses, the establishment of appropriate reserves, including reserves for catastrophes, is an inherently uncertain and complex process that is regularly refined to reflect current estimation processes and practices. The ultimate cost of losses may vary materially from recorded reserves and such variance may adversely affect our results of operations and financial condition as the reserves and reinsurance recoverables are reestimated.

If any of our insurance reserves should prove to be inadequate for the reasons discussed above, or for any other reason, we will be required to increase reserves, resulting in a reduction in our net income and stockholders' equity in the period in which the deficiency is identified. Future loss experience substantially in excess of established reserves could also have a material adverse effect on future earnings and liquidity and financial rating, which would affect our ability to attract new business or to retain existing customers.

***Performance of our investment portfolio is subject to a variety of investment risks that may adversely affect our financial results.***

Our results of operations depend, in part, on the performance of our investment portfolio. We seek to hold a diversified portfolio of investments in accordance with our investment policy, which is routinely reviewed by the Audit Committee of our regulated insurance subsidiary, Root Insurance Company. However, our investments are subject to general economic and market risks as well as risks inherent to particular securities.

Our primary market risk exposures are to changes in interest rates. See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures about Market Risk." In recent years, interest rates have been at or near historic lows. A protracted low interest rate environment would continue to place pressure on our net investment income, particularly as it relates to fixed income securities and short-term investments, which, in turn, may adversely affect our operating results. Future increases in interest rates could cause the values of our fixed income securities portfolios to decline, with the magnitude of the decline depending on the maturity of the securities included in our portfolio and the amount by which interest rates increase. Some fixed income securities have call or prepayment options, which create possible reinvestment risk in declining rate environments. Other fixed income securities, such as mortgage-backed and asset-backed securities, carry prepayment risk or, in a rising interest rate environment, may not prepay as quickly as expected.

The value of our investment portfolio is subject to the risk that certain investments may default or become impaired due to deterioration in the financial condition of one or more issuers of the securities we hold, or due to deterioration in the financial condition of an insurer that guarantees an issuer's payments on such investments. Downgrades in the credit ratings of fixed maturities also have a significant negative effect on the market valuation of such securities.

Such factors could reduce our net investment income and result in realized investment losses. Our investment portfolio is subject to increased valuation uncertainties when investment markets are illiquid. The valuation of investments is more subjective when markets are illiquid, thereby increasing the risk that the estimated fair value (i.e., the carrying amount) of the securities we hold in our portfolio does not reflect prices at which actual transactions would occur.

Risks for all types of securities are managed through the application of our investment policy, which establishes investment parameters that include, but are not limited to, maximum percentages of investment in certain types of securities and minimum levels of credit quality, which we believe are within applicable guidelines established by the NAIC. The maximum percentage and types of securities we may invest in are subject to the insurance laws regulations, which may change. Failure to comply with these laws and regulations would cause non-conforming investments to be treated as non-admitted assets for purposes of measuring statutory surplus and, in certain circumstances, we would be required to dispose of such investments.

Although we seek to preserve our capital, we cannot be certain that our investment objectives will be achieved, and results may vary substantially over time. In addition, although we seek to employ investment strategies that are not correlated with our insurance and reinsurance exposures, losses in our investment portfolio may occur at the same time as underwriting losses and, therefore, exacerbate the adverse effect of the losses on us.

***Unexpected changes in the interpretation of our coverage or provisions, including loss limitations and exclusions, in our policies could have a material adverse effect on our financial condition and results of operations.***

There can be no assurances that specifically negotiated loss limitations or exclusions in our policies will be enforceable in the manner we intend, or at all. As industry practices and legal, judicial, social, and other conditions change, unexpected and unintended issues related to claims and coverage may emerge. For example, many of our policies limit the period during which a customer may bring a claim, which may be shorter than the statutory period under which such claims can be brought against our customers. While these limitations and exclusions help us assess and mitigate our loss exposure, it is possible that a court or regulatory authority could nullify or void a limitation or exclusion, or legislation could be enacted modifying or barring the use of such limitations or exclusions. These types of governmental actions could result in higher than anticipated losses and loss adjustment expenses, which could have a material adverse effect on our financial condition or results of operations. In addition, court decisions, such as the 1995 Montrose decision in California could read policy exclusions narrowly so as to expand coverage, thereby requiring insurers to create and write new exclusions. Under the insurance laws, the insurer typically has the burden of proving an exclusion applies and any ambiguities in the terms of a loss limitation or exclusion provision are typically construed against the insurer. These issues may adversely affect our business by either broadening coverage beyond our underwriting intent or by increasing the frequency or severity of claims. In some instances, these changes may not become apparent until sometime after we have issued insurance contracts that are affected by the changes. As a result, the full extent of liability under our insurance contracts may not be known for many years after a contract is issued.

***As a holding company, we rely on dividends and payments from our subsidiaries to operate our business. Our ability to receive dividends and permitted payments from our insurance company subsidiaries is subject to regulatory constraints.***

We are a holding company and, as such, have no direct operations of our own. We do not expect to have any significant assets other than our ownership of equity interests in our operating subsidiaries. We accordingly depend on the payment of funds from our subsidiaries in the form of dividends, distributions or otherwise to meet our obligations and to pay our expenses. The ability of our subsidiaries to make any payments to us depends on their earnings, the terms of their indebtedness, including the terms of any credit facilities and legal restrictions.

In addition, the payment of any extraordinary dividend by Root Insurance Company, our regulated insurance subsidiary, requires the prior approval of the superintendent of the Ohio DOI. For purposes of determining whether such prior approval must be sought, an “extraordinary dividend” constitutes: (i) any distribution whose fair market value, together with that of other dividends or distributions made within the preceding twelve months, exceeds the greater of (a) ten per cent of Root Insurance Company’s policyholder surplus as of December 31 of the preceding year, or (b) Root Insurance Company’s net income for the twelve-month period ending December 31 of the preceding year or (ii) any dividend or distribution paid by Root Insurance Company from other than earned surplus. As of December 31, 2019, Root Insurance Company was not permitted to pay any dividends to us without approval of the superintendent of the Ohio DOI. Our operating subsidiaries, including Root Insurance Company, may be unable to pay dividends in the future, and the limitations of such dividends could adversely affect our business,

liquidity or financial condition. See the section titled "Regulation — Restrictions on Paying Dividends" for additional information.

**Risks Related to this Offering and Ownership of Our Class A Common Stock**

***We do not know whether an active, liquid and orderly trading market will develop for our Class A common stock or what the market price of our Class A common stock will be, and as a result it may be difficult for you to sell your shares of our Class A common stock.***

Prior to this offering there has been no public market for shares of our Class A common stock. An active trading market for our shares may never develop or be sustained following this offering. You may not be able to sell your shares quickly or at the market price if trading in shares of our Class A common stock is not active. The initial public offering price for our Class A common stock will be determined through negotiations with the underwriters, and the negotiated price may not be indicative of the market price of the Class A common stock after the offering. As a result of these and other factors, you may be unable to resell your shares of our Class A common stock at or above the initial public offering price. Further, an inactive market may also impair our ability to raise capital by selling shares of our Class A common stock and may impair our ability to enter into strategic partnerships or acquire companies or products by using our shares of Class A common stock as consideration.

***The dual class structure of our common stock will have the effect of concentrating voting control with our executive officers, directors and their affiliates, which will limit your ability to influence the outcome of important transactions.***

Our Class B common stock has ten votes per share and our Class A common stock, which is the stock we are offering in this offering, has one vote per share. Our existing stockholders, all of which hold shares of Class B common stock, will collectively beneficially own shares representing approximately 97.8% of the voting power of our outstanding capital stock following the completion of this offering and the concurrent private placements. Our directors and executive officers and their affiliates will collectively beneficially own, in the aggregate, shares representing approximately 82.8% of the voting power of our outstanding capital stock immediately following the completion of this offering and the concurrent private placements, based on the number of shares outstanding as of June 30, 2020. As a result, the holders of our Class B common stock will be able to exercise considerable influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our company or our assets, even if their stock holdings represent less than 50% of the outstanding shares of our capital stock. This concentration of ownership will limit the ability of other stockholders to influence corporate matters and may cause us to make strategic decisions that could involve risks to you or that may not be aligned with your interests. This control may adversely affect the market price of our Class A common stock.

Further, future transfers by holders of our Class B common stock will generally result in those shares converting into shares of our Class A common stock, subject to limited exceptions, such as certain transfers effected for tax or estate planning purposes. The conversion of shares of our Class B common stock into shares of our Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term.

***We cannot predict the impact our dual class structure may have on the market price of our Class A common stock.***

We cannot predict whether our dual class structure, combined with the concentrated control of our stockholders who held our capital stock prior to the completion of our initial public offering, including our executive officers, employees and directors and their affiliates, will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple class share structures in certain of their indexes. For example, in July 2017, FTSE Russell and Standard & Poor's announced that they would cease to allow most newly public companies utilizing dual or multi-class capital structures to be included in their indices. Under the announced policies, our dual class capital structure would make us ineligible for inclusion in any of these indices. Given the sustained flow of investment funds into passive strategies that seek to track certain indexes, exclusion from stock

indexes would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the market price of our Class A common stock could be adversely affected.

***The price of our stock may be volatile, and you could lose all or part of your investment.***

The trading price of our Class A common stock could be volatile, and you could lose all or part of your investment. The following factors, in addition to other factors described in this "Risk Factors" section and included elsewhere in this prospectus, may have a significant impact on the market price of our Class A common stock:

- the occurrence of severe weather events and other catastrophes;
- our operating and financial performance, quarterly or annual earnings relative to similar companies;
- publication of research reports or news stories about us, our competitors or our industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- announcements by us or our competitors of acquisitions, business plans or commercial relationships;
- any major change in our board of directors or senior management;
- sales of our Class A common stock by us, our directors, executive officers, principal shareholders, or senior management;
- adverse market reaction to any indebtedness we may incur or refinance or securities we may issue in the future;
- short sales, hedging and other derivative transactions in our Class A common stock;
- exposure to capital market risks related to changes in interest rates, realized investment losses, credit spreads, equity prices, foreign exchange rates and performance of insurance-linked investments;
- our creditworthiness, financial condition, performance, and prospects;
- our dividend policy and whether dividends on our Class A common stock have been, and are likely to be, declared and paid from time to time;
- perceptions of the investment opportunity associated with our Class A common stock relative to other investment alternatives;
- regulatory or legal developments;
- changes in general market, economic, and political conditions;
- conditions or trends in our industry, geographies or customers;
- changes in accounting standards, policies, guidance, interpretations or principles; and
- threatened or actual litigation or government investigations.

In addition, broad market and industry factors may negatively affect the market price of our Class A common stock, regardless of our actual operating performance, and factors beyond our control may cause our stock price to decline rapidly and unexpectedly. In addition, in the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Litigation of this type could result in substantial costs and diversion of management's attention and resources, which could have a material adverse effect on our business, financial condition, results of operations or prospects. Any adverse determination in litigation could also subject us to significant liabilities.

***Applicable insurance laws may make it difficult to effect a change of control.***

Under applicable state insurance laws and regulations, no person may acquire "control" of a domestic insurer until written approval is obtained from the state insurance commissioner. Root Insurance Company is domiciled in Ohio. Applicable Ohio law provides for a rebuttable presumption of "control" by any person which owns or acquires, directly or indirectly, 10% or more of the voting stock of the insurance company. Under applicable Ohio law, a person must seek regulatory approval from the superintendent of the Ohio DOI prior to acquiring direct or indirect "control" of a domestic insurer by filing a Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer, or Form A. As part of this Form A application, the entity acquiring control (as well as any controlling shareholders of such entity) will need to submit, along with other documents and disclosures, its financial statements, organizational charts and biographical affidavits for any officers, directors and controlling shareholders of each applicable entity. Would-be acquirors may find these requirements burdensome, which could deter potential acquisition proposals and may serve to delay or prevent change of control transactions, including transactions that some or all of the stockholders might consider to be desirable. These requirements may also inhibit our ability to acquire an insurance company should we wish to do so in the future. See the section titled "Regulation — Change of Control" for additional information.

***If you purchase our Class A common stock in this offering, you will incur immediate and substantial dilution in the book value of your shares.***

The initial public offering price is substantially higher than the pro forma as adjusted net tangible book value per share of our Class A common stock. Investors purchasing Class A common stock in this offering will pay a price per share that substantially exceeds the pro forma as adjusted book value of our tangible assets after subtracting our liabilities. Based on the assumed initial public offering price of $23.50 per share, which is the midpoint of the estimated price range set forth on the cover page of this prospectus, you will experience immediate dilution of $19.20 per share, representing the difference between our pro forma as adjusted net tangible book value per share after this offering and the initial public offering price per share. After this offering, we will also have outstanding options and warrants to purchase Class B common stock with exercise prices lower than the initial public offering price. To the extent these outstanding options or warrants are exercised, there will be further dilution to investors in this offering. See the section titled "Dilution" for additional information.

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

We are an emerging growth company, as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including reduced disclosure obligations regarding executive compensation in this prospectus and our periodic reports and proxy statements and exemptions from the requirements of holding nonbinding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years following the year in which we complete this offering, although circumstances could cause us to lose that status earlier. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of this offering, (b) in which we have total annual gross revenue of at least $1.07 billion or (c) in which we are deemed to be a large accelerated filer, which requires the market value of our Class A common stock that is held by non-affiliates to exceed $700 million as of the prior June 30$^{th}$, and (2) the date on which we have issued more than $1 billion in non-convertible debt during the prior three-year period.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public

company effective dates. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock, and our stock price may be more volatile.

***As a public company, we will be subject to more stringent federal and state law requirements.***

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act, the Dodd–Frank Act, the listing requirements of Nasdaq, and other applicable securities rules and regulations. Despite reforms made possible by the JOBS Act, compliance with these rules and regulations will nonetheless increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly after we are no longer an emerging growth company. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results.

As a result of disclosure of information in this prospectus and in filings required of a public company, our business and financial condition will become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business, results of operations, financial condition and prospects could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our brand and reputation, business, results of operations, financial condition and prospects. We also expect that being a public company and the associated rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain adequate coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

***We do not intend to pay dividends on our Class A common stock so any returns will be limited to the value of our stock.***

We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Additionally, we are a holding company that transacts a majority of our business through operating subsidiaries. Consequently, our ability to pay dividends to stockholders is largely dependent on receipt of dividends and other distributions from our subsidiaries. As addressed above, applicable insurance laws restrict the ability of our regulated insurance subsidiary to declare extraordinary stockholder dividends and require insurance companies to maintain specified levels of statutory capital and surplus. Insurance regulators have broad powers to prevent reduction of statutory surplus to inadequate levels, and there is no assurance that dividends of the maximum amounts calculated under any applicable formula would be permitted. State insurance regulatory authorities that have jurisdiction over the payment of dividends by our regulated insurance subsidiary may in the future adopt statutory provisions more restrictive than those currently in effect. See the section titled “Regulation — Restrictions on Paying Dividends” for additional information. Any return to stockholders will therefore be limited to the appreciation of their stock.

***We have broad discretion in the use of the net proceeds from this offering and the concurrent private placements and may not use them effectively.***

Our management will have broad discretion in the application of the net proceeds from this offering and the concurrent private placements, including for any of the purposes described in the section titled “Use of Proceeds,” and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering and the concurrent private placements, their ultimate use may vary substantially from their currently intended use. Our management might not apply our net proceeds in ways that ultimately increase the value of your investment. The failure by our management to apply these funds effectively could harm our business. Pending their use, we may invest the net proceeds from this offering in short- and intermediate-term, interest-bearing instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government. These investments may not yield a favorable return to our stockholders. If we do not invest or apply the net proceeds from this offering

in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

***We will incur significant increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.***

As a public company, and particularly after we are no longer an emerging growth company, we will incur significant legal, accounting, investor relations and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act and rules subsequently implemented by the SEC and Nasdaq have imposed various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Stockholder activism, the current political environment and the current high level of U.S. government intervention and regulatory reform may also lead to substantial new regulations and disclosure obligations, which may in turn lead to additional compliance costs and impact the manner in which we operate our business in ways we do not currently anticipate. Our management and other personnel will need to devote a substantial amount of time to comply with these requirements. Moreover, these requirements will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect that these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements.

***If we fail to maintain proper and effective internal control over financial reporting, our ability to produce accurate and timely financial statements could be impaired, investors may lose confidence in our financial reporting and the trading price of our Class A common stock may decline.***

Pursuant to Section 404 of the Sarbanes-Oxley Act, we will be required to furnish a report by our management on our internal control over financial reporting, including an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. To comply with the Sarbanes-Oxley Act, the requirements of being a reporting company under the Exchange Act and any complex accounting rules in the future, we may need to upgrade our information technology systems; implement additional financial and management controls, reporting systems and procedures; and hire additional accounting and finance staff. We are currently in the process of hiring additional accounting and finance staff as we grow our business. If we are unable to hire the additional accounting and finance staff necessary to comply with these requirements, we may need to retain additional outside consultants. If we or, if required, our auditors, are unable to conclude that our internal control over financial reporting is effective, investors may lose confidence in our financial reporting and the trading price of our Class A common stock may decline.

There can be no assurance that there will not be material weaknesses in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition, results of operations or cash flows. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines that we have a material weakness in our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our Class A common stock could decline and we could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

***Sales of a substantial number of shares of our Class A common stock by our existing stockholders in the public market could cause our stock price to fall.***

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our Class A common stock in the public market after the lock-up and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our Class A common stock could decline. Based on shares outstanding as of June 30, 2020, upon the closing of this offering and the concurrent private placements, we will have outstanding a total of 45,441,109 shares of Class A common stock and 204,408,698 shares of Class B common stock. Of these shares, only the shares of Class A common stock sold in this offering by us and the selling stockholder, plus any shares sold upon exercise of the underwriters' option to purchase additional shares, will be freely tradable without restriction in the public market immediately following this offering. The underwriters, however, may, in their sole discretion, permit our officers, directors and other stockholders who are subject to these lock-up agreements to sell shares prior to the expiration of the lock-up agreements.

We expect that the lock-up agreements pertaining to this offering will expire 180 days from the date of this prospectus, provided, that if (i) the 180-day lock-up period is scheduled to end during a broadly applicable period during which trading in our securities would not be permitted under our insider trading policy, or a blackout period, and (ii) we have publicly released our earnings results for the quarterly period during which this offering occurred, the lock-up period for our officers, directors and holders of substantially all of our common stock will end at the opening of the trading window immediately preceding the applicable blackout period; provided that in no event will the lock-up period end prior to 120 days after the date of this prospectus. In addition, shares of Class A common stock that are either subject to outstanding options or reserved for future issuance under the 2020 Plan will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, the lock-up agreements and Rule 144 and Rule 701 under the Securities Act of 1933, as amended, or the Securities Act. If these additional shares of Class A common stock are sold, or if it is perceived that they will be sold, in the public market, the trading price of our Class A common stock could decline.

After this offering, the holders of 184,260,236 shares of our capital stock will be entitled to rights with respect to the registration of their shares under the Securities Act, subject to the 180-day lock-up agreements described above. See the section titled "Description of Capital Stock—Registration Rights". Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares held by affiliates, as defined in Rule 144 under the Securities Act. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our Class A common stock.

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

The trading market for our Class A common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts do not currently, and may never, publish research on our company. If no securities or industry analysts commence coverage of our company, the trading price for our stock would likely be negatively impacted. In the event securities or industry analysts initiate coverage, if one or more of the analysts who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price may decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

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

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws that will become effective upon the closing of this offering may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions also could limit the price that investors might be willing to pay in the future for shares of our Class A common stock, thereby depressing the market price of our

Class A common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- establish a classified board of directors such that not all members of the board are elected at one time;
- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from the board;
- establish advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our board of directors;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- prohibit our stockholders from calling a special meeting of our stockholders;
- authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a stockholder rights plan, or so-called "poison pill," that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors; and
- require the approval of the holders of at least 66 2/3% of the votes that all our stockholders would be entitled to cast to amend or repeal certain provisions of our charter or bylaws.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, or DGCL, which prohibits a person who owns 15% or more of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired 15% or more of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. These provisions could discourage potential acquisition proposals and could delay or prevent a change in control transaction. They could also have the effect of discouraging others from making tender offers for our Class A common stock, including transactions that may be in your best interests. These provisions may also prevent changes in our management or limit the price that investors are willing to pay for our stock.

***Claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us.***

Our amended and restated certificate of incorporation and amended and restated bylaws that will become effective upon the closing of this offering will provide that we will indemnify our directors and officers, in each case, to the fullest extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to the corporation or its stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

Such limitation of liability does not apply to liabilities arising under federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our amended and restated bylaws that will be in effect upon the completion of this offering will provide that we are required to indemnify our directors and officers to the fullest extent permitted by Delaware law and may indemnify our other employees and agents. Our amended and restated bylaws will also provide that, on satisfaction

of certain conditions, we will advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding, and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity regardless of whether we would otherwise be permitted to indemnify him or her under the provisions of Delaware law. We have entered and expect to continue to enter into agreements to indemnify our directors and executive officers. With certain exceptions, these agreements provide for indemnification for related expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in connection with any action, proceeding or investigation. We believe that these amended and restated certificate of incorporation and amended and restated bylaws provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

While we maintain directors' and officers' liability insurance, such insurance may not be adequate to cover all liabilities that we may incur, which may reduce our available funds to satisfy third-party claims and may adversely impact our cash position.

***Our amended and restated certificate of incorporation that will become effective upon the completion of this offering provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.***

Our amended and restated certificate of incorporation that will become effective upon the completion of this offering will provide that the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) is the exclusive forum for the following claims or causes of action under Delaware statutory or common law:

- any derivative claim or cause of action brought on our behalf;
- any claim or cause of action for breach of a fiduciary duty owed by any of our current or former directors, officers or other employees to us or our stockholders;
- any claim or cause of action against us or any of our current or former directors, officers or other employees, arising out of or pursuant to any provision of the DGCL, our certificate of incorporation or our bylaws;
- any claim or cause of action seeking to interpret, apply, enforce or determine the validity of our certificate of incorporation or our bylaws;
- any action or proceeding as to which the DGCL confers jurisdiction to the Court of Chancery of the State of Delaware; and
- any claim or cause of action against us or any of our current or former directors, officers or other employees that is governed by the internal-affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court having personal jurisdiction over the indispensable parties named as defendants.

This provision would not apply to claims or causes of action brought to enforce a duty or liability created by the Exchange Act, or any other claim for which the federal courts have exclusive jurisdiction, or the Securities Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation that will become effective upon the completion of this offering will provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum

provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers and other employees. If a court were to find either exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could seriously harm our business.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this prospectus are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will" or "would" or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our preliminary estimates for the three months ended September 30, 2020;
- our ability to retain existing customers and acquire new customers;
- our expectations regarding our future financial performance, including total revenue, gross profit, adjusted gross profit, direct loss ratio, marketing costs, direct LAE ratio, quota share levels and expansion of our renewal premium base;
- our goal to be licensed in all states in the United States and the timing of obtaining additional licenses;
- the accuracy and efficiency of our telematics and behavioral data, and our ability to gather and leverage additional data;
- our ability to underwrite risks accurately and charge profitable rates;
- our ability to maintain our business model and improve our capital and marketing efficiency;
- our ability to drive improved conversion and decrease the cost of customer acquisition;
- our ability to maintain and enhance our brand and reputation;
- our ability to effectively manage the growth of our business;
- our ability to improve our product offerings, introduce new products and expand into additional insurance lines;
- our ability to cross sell our products and attain greater value from each customer;
- our lack of operating history and ability to attain profitability;
- our ability to compete effectively with existing competitors and new market entrants in our industry;
- future performance of the markets in which we operate;
- our ability to operate a "capital-light" business and obtain and maintain reinsurance contracts;
- our ability to expand our distribution channels through additional partnership relationships, digital media and referrals;
- our ability to protect our intellectual property and any costs associated therewith;
- our ability to expand domestically and internationally;
- our ability to raise additional capital;
- our ability to meet risk-based capital requirements;
- our ability to stay in compliance with laws and regulation that currently apply or become applicable to our business;

- the growth rates of the markets in which we compete; and
- our expected uses of the net proceeds from this offering and the concurrent private placements.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this prospectus primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled "Risk Factors" and elsewhere in this prospectus. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this prospectus. While we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this prospectus to reflect events or circumstances after the date of this prospectus or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

## MARKET AND INDUSTRY DATA

This prospectus contains estimates and information concerning our industry, including market size and growth rates of the markets in which we participate, that are based on industry publications and reports. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness of the data contained in these industry publications and reports. We also rely on our own research and estimates in this prospectus. None of the industry publications referred to in this prospectus were prepared on our or on our affiliates' behalf or at our expense. Although we believe the market opportunity, market size and other related data included in this prospectus is reliable, such information is inherently imprecise. The industry in which we operate is subject to a high degree of uncertainty and risk due to variety of factors, including those described in the section titled "Risk Factors." These and other factors could cause results to differ materially from those expressed in these publications and reports.

References in this prospectus to the $2 trillion total addressable market, or TAM, for global P&C insurance premiums include an estimated $400 billion in global accident and health, or A&H, insurance premiums.

Milliman has been retained by us to provide model validation services for our UBI model. Milliman's work was prepared solely to provide assistance to the company. Milliman does not intend to benefit and assumes no duty or liability to any party who receives this work.

## USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering and the concurrent private placements of approximately $967.2 million (or approximately $1,047.6 million if the underwriters exercise their option to purchase additional shares of Class A common stock in full) based on an assumed initial public offering price of $23.50 per share of Class A common stock, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses. We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholder in this offering.

A $1.00 increase (decrease) in the assumed initial public offering price of $23.50 per share of Class A common stock would increase (decrease) the net proceeds to us from this offering by approximately $20.8 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions. Similarly, each increase (decrease) of 1.0 million shares in the number of shares of Class A common stock offered by us would increase (decrease) the net proceeds to us from this offering by approximately $22.2 million, assuming the assumed initial public offering price of $23.50 per share of Class A common stock remains the same, and after estimated deducting underwriting discounts and commissions.

The principal purposes of this offering are to increase our capitalization and financial flexibility, and create a public market for our Class A common stock. We intend to use the net proceeds we receive from this offering and the concurrent private placements for general corporate purposes, including working capital, operating expenses and capital expenditures. We cannot specify with certainty all of the particular uses for the remaining net proceeds to us from this offering and the concurrent private placements. We may also use a portion of the net proceeds for acquisitions and/or strategic investments in complementary businesses, products, services or technologies. However, we do not have agreements or commitments to enter into any such acquisitions or investments at this time. We will have broad discretion over how to use the net proceeds to us from this offering and the concurrent private placements. We intend to invest the net proceeds to us from the offering and the concurrent private placements that are not used as described above in investment-grade, interest-bearing instruments.

## DIVIDEND POLICY

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and future earnings, if any, to fund the development and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination regarding the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant. The terms and conditions of our term loans restrict our ability to pay dividends, and we may enter into additional agreements in the future that could also contain restrictions on payments of cash dividends. See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Financing Arrangements" for a further discussion of such term loans.

Additionally, we are a holding company that transacts a majority of its business through operating subsidiaries. Consequently, our ability to pay dividends to stockholders is largely dependent on receipt of dividends and other distributions from our subsidiaries. Applicable insurance laws restrict the ability of our insurance subsidiary to declare stockholder dividends and require insurance companies to maintain specified levels of statutory capital and surplus. Insurance regulators have broad powers to prevent reduction of statutory surplus to inadequate levels, and there is no assurance that dividends of the maximum amounts calculated under any applicable formula would be permitted. State insurance regulatory authorities that have jurisdiction over the payment of dividends by our insurance subsidiary may in the future adopt statutory provisions more restrictive than those currently in effect. See the section titled "Regulation — Restrictions on Paying Dividends".

## CAPITALIZATION

The following table sets forth our cash and cash equivalents, and our capitalization as of June 30, 2020 as follows:

- on an actual basis;
- on a pro forma basis to reflect (1) the automatic conversion of all outstanding shares of our redeemable convertible preferred stock as of June 30, 2020 into 161,781,094 shares of Class B common stock immediately prior to the completion of this offering, (2) the issuance of 2,778,596 shares of our Class B common stock as a result of the automatic net exercise of a warrant to purchase 2,778,608 shares of our Class B common stock, based on an assumed initial public offering price of $23.50 per share, the midpoint of the price range set forth on the cover page of this prospectus and the related reclassification of warrant liability to additional paid-in capital for this exercise, (3) the net exercise of warrants to purchase an aggregate of 597,960 shares of our Class B common stock with a weighted-average exercise price of $0.3730 per share, resulting in the issuance of 588,467 shares of our Class B common stock and (4) the filing and effectiveness of our amended and restated certificate of incorporation immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis to give further effect to (1) the reclassification of 2,164,515 shares of Class B common stock into an equal number of shares of Class A common stock upon the sale of such shares by the selling stockholder in this offering and (2) our issuance and sale of 22,000,000 shares of Class A common stock in this offering and 21,267,594 shares of our Class A common stock in the concurrent private placements at an assumed initial public offering price of $23.50 per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma and pro forma as adjusted information below is illustrative only, and our capitalization following the completion of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this information in conjunction with our consolidated financial statements and the related notes included in this prospectus and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and other financial information contained in this prospectus.

| | As of June 30, 2020 | | |
|---|---|---|---|
| | Actual | Pro Forma | Pro Forma As Adjusted[1] |
| | (in millions, except share and per share data) | | |
| Cash, cash equivalents and restricted cash | $ 241.9 | $ 241.9 | $ 1,209.1 |
| Long-term debt | 190.1 | 168.2 | 168.2 |
| Redeemable convertible preferred stock, $0.0001 par value per share; 169,959,130 shares authorized; 161,781,094 shares issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted | 560.4 | — | — |
| Stockholders' deficit (equity): | | | |
| Preferred stock, $0.0001 par value per share: no shares authorized, issued or outstanding, actual; 100,000,000 shares authorized and no shares issued or outstanding, pro forma and pro forma as adjusted | — | — | — |
| Common stock, $0.0001 par value per share; 269,000,000 shares authorized, 41,425,056 shares issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted | — | — | — |
| Treasury stock, at cost | (0.8) | (0.8) | (0.8) |
| Class A Common stock, $0.0001 par value per share; no shares authorized, issued and outstanding, actual; 1,000,000,000 shares authorized, no shares issued and outstanding, pro forma; 1,000,000,000 shares authorized, 45,441,109 shares issued and outstanding, pro forma as adjusted | — | — | — |
| Class B Common stock, $0.0001 par value per share; no shares authorized, issued and outstanding, actual; 269,000,000 shares authorized, 206,573,213 shares issued and outstanding, pro forma; and 269,000,000 shares authorized, 204,408,698 shares issued and outstanding, pro forma as adjusted | — | — | — |
| Additional paid-in capital | 37.6 | 664.2 | 1,630.8 |
| Accumulated other comprehensive loss | 5.5 | 5.5 | 5.5 |
| Accumulated deficit | (529.5) | (573.8) | (573.3) |
| Total stockholders' (deficit) equity | (487.2) | 95.1 | 1,062.2 |
| Total capitalization | $ 263.3 | $ 263.3 | $ 1,230.4 |

(1) Each $1.00 increase (decrease) in the assumed initial public offering price of $23.50 per share of Class A common stock, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted amount of each of cash, cash equivalents and restricted cash, total stockholders' (deficit) equity and total capitalization by approximately $20.8 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions. Similarly, each increase (decrease) of 1.0 million shares in the number of shares offered by us at the assumed initial public offering price per share would increase (decrease) the pro forma as adjusted amount of each of cash, cash equivalents and restricted cash, total stockholders' (deficit) equity and total capitalization by approximately $22.2 million, assuming the assumed initial public offering price of $23.50 per share of Class A common stock remains the same, and after deducting estimated underwriting discounts and commissions.

The number of shares of our Class A common stock and Class B common stock that will be outstanding after this offering and the concurrent private placements is based on no shares of our Class A common stock and 206,573,213 shares of our Class B common stock outstanding as of June 30, 2020, and excludes:

- 11,958,503 shares of our Class B common stock issuable upon the exercise of options to purchase shares of our Class B common stock outstanding as of June 30, 2020, with a weighted-average exercise price of $1.6785 per share;
- 794,632 shares of our Class B common stock issuable upon the exercise of options to purchase shares of our Class B common stock granted after June 30, 2020, with a weighted-average exercise price of $8.2708 per share;
- 84,051 shares of our Class B common stock subject to RSUs outstanding, but for which the time-based vesting condition was not satisfied as of June 30, 2020;
- 25,000,000 shares of our Class A common stock reserved for future issuance under the 2020 Plan, plus a number of shares of Class A common stock not to exceed 16,247,840 shares (consisting of the number of shares that remain available under our 2015 Plan, as of immediately prior to the effective date of the 2020 Plan and any shares underlying options outstanding under the 2015 Plan that expire or otherwise terminate prior to exercise after the effective date of the 2020 Plan), as well as any future increases, including annual automatic evergreen increases, in the number of shares of Class A common stock reserved for issuance under our 2020 Plan; and
- 5,000,000 shares of our Class A common stock reserved for future issuance under the ESPP, which includes an annual evergreen increase and will become effective in connection with this offering.

## DILUTION

If you invest in our Class A common stock in this offering and the concurrent private placements, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share of Class A common stock and the pro forma as adjusted net tangible book value per share of our Class A common stock after this offering and the concurrent private placements.

As of June 30, 2020, we had a pro forma net tangible book value (deficit) of $95.1 million, or $0.46 per share. Pro forma net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the number of shares of our common stock outstanding as of June 30, 2020, after giving effect (1) to the automatic conversion of all shares of our redeemable convertible preferred stock outstanding as of June 30, 2020 into 161,781,094 shares of our Class B common stock, (2) the issuance of 2,778,596 shares of our Class B common stock as a result of the automatic net exercise of a warrant to purchase 2,778,608 shares of our Class B common stock, based on an assumed initial public offering price of $23.50 per share, the midpoint of the price range set forth on the cover page of this prospectus, and the related reclassification of warrant liability to additional paid-in capital for this exercise and (3) the filing and effectiveness of our amended and restated certificate of incorporation immediately prior to the completion of this offering and the concurrent private placements.

After giving further effect to the sale of 43,276,594 shares of Class A common stock that we are offering in this offering and the concurrent private placements at an assumed initial public offering price of $23.50 per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of June 30, 2020 would have been approximately $1,062.3 million, or approximately $4.25 per share. This amount represents an immediate increase in pro forma net tangible book value of $3.79 per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of approximately $19.25 per share to new investors purchasing shares of Class A common stock in this offering and the concurrent private placements.

Dilution per share to new investors is determined by subtracting pro forma as adjusted net tangible book value per share after this offering and the concurrent private placements from the initial public offering price per share paid by new investors. The following table illustrates this dilution (without giving effect to any exercise by the underwriters of their option to purchase additional shares of Class A common stock):

| | | |
|---|---|---|
| Assumed initial public offering price per share | | $ 23.50 |
| Pro forma net tangible book value per share as of June 30, 2020 | $ 0.46 | |
| Increase in pro forma net tangible book value per share attributable to investors purchasing shares in this offering and the concurrent private placements | | $ 3.79 |
| Pro forma as adjusted net tangible book value per share after this offering and the concurrent private placements | | $ 4.25 |
| Dilution in pro forma as adjusted net tangible book value per share to new investors in this offering and the concurrent private placements | | $ 19.25 |

The dilution information discussed above is illustrative only and may change based on the actual initial public offering price and other terms of this offering and the concurrent private placements. Each $1.00 increase (decrease) in the assumed initial public offering price of $23.50 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering and the concurrent private placements by approximately $0.12 per share, and increase (decrease) the dilution in pro forma net tangible book value per share to new investors by approximately $0.88 per share, in each case, assuming that the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions. Each increase (decrease) of 1.0 million shares in the number of shares of Class A common stock offered by us would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering and the concurrent private placements by approximately $0.11 per share and decrease (increase) the dilution to investors participating in this offering and the concurrent private placements by approximately $0.11 per share, in each case assuming that the

assumed initial public offering price remains the same, and after deducting estimated underwriting discounts and commissions.

If the underwriters exercise in full their option to purchase additional shares of Class A common stock in full, the pro forma as adjusted net tangible book value after the offering would be $4.51 per share, the increase in pro forma net tangible book value per share to existing stockholders would be $4.05 per share and the dilution per share to new investors would be $18.99 per share, in each case assuming an initial public offering price of $23.50 per share, the midpoint of the price range set forth on the cover page of this prospectus.

The following table summarizes on the pro forma as adjusted basis described above, as of June 30, 2020, the differences between the number of shares of common stock purchased from us by our existing stockholders and common stock by new investors purchasing shares in this offering and the concurrent private placements, the total consideration paid to us in cash and the average price per share paid by existing stockholders for shares of common stock issued prior to this offering and the concurrent private placements and the price to be paid by new investors for shares of Class A common stock in this offering and the concurrent private placements. The calculation below is based on the assumed initial public offering price of $23.50 per share, the midpoint of the price range set forth on the cover page of the prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

| | Shares Purchased | | Total Consideration | | |
|---|---|---|---|---|---|
| | Number | Percent | Amount | Percent | Average Price Per Share |
| Existing stockholders | 206,573,213 | 82.7 % | $ 634,326,282 | 38.4 % | $ 3.07 |
| Investors purchasing shares from us | 43,276,594 | 17.3 % | $ 1,016,999,959 | 61.6 % | $ 23.50 |
| Total | | 100 % | | 100 % | |

Sales by the selling stockholder in this offering will cause the number of shares held by existing stockholders to be reduced to 204,408,698 shares, or 81.8% of the total number of shares of our common stock outstanding following the completion of this offering and the concurrent private placements, and will increase the number of shares held by new investors to 45,441,109 shares, or 18.2% of the total number of shares outstanding following the completion of this offering and the concurrent private placements.

The number of shares of our Class A common stock and Class B common stock that will be outstanding after this offering and the concurrent private placements is based on no shares of our Class A common stock and 206,573,213 shares of our Class B common stock outstanding as of June 30, 2020, and excludes:

- 11,958,503 shares of our Class B common stock issuable upon the exercise of options to purchase shares of our Class B common stock outstanding as of June 30, 2020, with a weighted-average exercise price of $1.6785 per share;
- 794,632 shares of our Class B common stock issuable upon the exercise of options to purchase shares of our Class B common stock granted after June 30, 2020, with a weighted-average exercise price of $8.2708 per share;
- 84,051 shares of our Class B common stock subject to RSUs outstanding, but for which the time-based vesting condition was not satisfied as of June 30, 2020;
- 25,000,000 shares of our Class A common stock reserved for future issuance under the 2020 Plan, plus a number of shares of Class A common stock not to exceed 16,247,840 shares (consisting of the number of shares that remain available under our 2015 Plan, as of immediately prior to the effective date of the 2020 Plan and any shares underlying options outstanding under the 2015 Plan that expire or otherwise terminate prior to exercise after the effective date of the 2020 Plan), as well as any future increases, including annual automatic evergreen increases, in the number of shares of Class A common stock reserved for issuance under our 2020 Plan; and

- 5,000,000 shares of our Class A common stock reserved for future issuance under the ESPP, which includes an annual evergreen increase and will become effective in connection with this offering.

To the extent any outstanding options are exercised, there will be further dilution to new investors. If all of such outstanding options and warrants had been exercised as of June 30, 2020, the pro forma as adjusted net tangible book value per share after this offering and the concurrent private placements would be $4.13, and total dilution per share to new investors would be $19.37.

If the underwriters exercise in full their option to purchase additional shares of Class A common stock, our existing stockholders would own 80.6% and the investors purchasing shares of our Class A common stock in this offering and the concurrent private placements would own 19.4% of the total number of shares of our Class A common stock and Class B common stock outstanding immediately after completion of this offering and the concurrent private placements.

## SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables set forth our selected consolidated financial and operating data. The selected consolidated statements of operations and comprehensive loss data for the years ended December 31, 2018 and 2019 and the selected consolidated balance sheet data as of December 31, 2018 and 2019 are derived from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the selected historical consolidated statements of operations and comprehensive loss data for the six months ended June 30, 2019 and 2020, and the consolidated balance sheet data as of June 30, 2020 from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. You should read the following selected consolidated financial and operating data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus. The selected audited consolidated financial and operating data in this section are not intended to replace our audited consolidated financial statements and the related notes and are qualified in their entirety by the audited consolidated financial statements and the related notes included elsewhere in this prospectus. Our historical results are not necessarily indicative of our results in any future period.

| | Years Ended December 31, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2019 | 2019 | 2020 |
| | (in millions, except per share data) | | | |
| **Consolidated Statements of Operations and Comprehensive Loss** | | | | |
| Net premiums earned | $ 40.2 | $ 275.3 | $ 98.6 | $ 233.5 |
| Net investment income | 1.2 | 5.2 | 1.7 | 3.2 |
| Net realized gains (losses) on investments | — | — | — | 0.1 |
| Fee income | 1.9 | 9.7 | 3.8 | 8.6 |
| Total revenue | $ 43.3 | $ 290.2 | $ 104.1 | $ 245.4 |
| Operating expenses: | | | | |
| Loss and loss adjustment expenses | 43.5 | 321.4 | 109.6 | 227.2 |
| Sales and marketing | 40.3 | 109.6 | 39.2 | 53.2 |
| Other insurance expense | 10.2 | 52.3 | 18.9 | 26.6 |
| Technology and development | 8.2 | 24.0 | 8.4 | 27.3 |
| General and administrative | 9.3 | 43.0 | 22.4 | 42.2 |
| Total operating expenses | 111.5 | 550.3 | 198.5 | 376.5 |
| Interest expense | 0.9 | 22.3 | 2.6 | 13.4 |
| Loss before income tax expense | (69.1) | (282.4) | (97.0) | (144.5) |
| Income tax expense | — | — | — | — |
| Net loss | (69.1) | (282.4) | (97.0) | (144.5) |
| Other comprehensive income: | | | | |
| Changes in unrealized gain on investments | — | 0.6 | 0.7 | 4.9 |
| Comprehensive loss | $ (69.1) | $ (281.8) | $ (96.3) | $ (139.6) |
| Loss per common share: basic and diluted | $ (2.73) | $ (8.33) | $ (3.04) | $ (3.74) |
| Weighted-average common shares outstanding: basic and diluted | 25.3 | 33.9 | 31.9 | 38.6 |
| Pro forma net loss per share: basic and diluted (unaudited) | | (1.54) | | (0.71) |
| Pro forma weighted average common shares outstanding: basic and diluted (unaudited) | | 182.9 | | 204.7 |

| | As of December 31, | | As of June 30, |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (dollars in millions) | | |
| **Consolidated Balance Sheet Data** | | | |
| Total investments | $ 20.2 | $ 122.8 | $ 222.4 |
| Cash and cash equivalents | 122.3 | 391.7 | 240.9 |
| Restricted cash | — | 24.9 | 1.0 |
| Total assets | 216.0 | 728.6 | 706.8 |
| Total liabilities | 129.1 | 542.2 | 633.6 |
| Redeemable convertible preferred stock | 189.6 | 560.4 | 560.4 |
| Total stockholders' deficit | (102.7) | (374.0) | (487.2) |

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the section titled "Selected Historical Consolidated Financial Data" and our consolidated financial statements and related notes and other information included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from such forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed in the sections titled "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" included elsewhere in this prospectus. Additionally, our historical results are not necessarily indicative of the results that may be expected for any period in the future.*

### Our Business

Root is a technology company revolutionizing personal insurance with a pricing model based upon fairness and a modern customer experience.

The Root advantage is derived from our unique ability to segment individual risk based on complex behavioral data, a customer experience built for ease of use and a product offering made possible with our full-stack insurance structure, all uniquely integrated into a single cloud-based technology platform that captures the entire insurance value chain – from customer acquisition to underwriting to claims and administration to ongoing customer engagement.

- ***Behavioral Data and Proprietary Telematics.*** Today, we believe we are the only P&C insurance carrier with a scaled proprietary telematics solution designed to price an entire book of business. By collecting and synthesizing massive amounts of rich, sensory behavioral data across thousands of driving variables, including distracted driving, we strive to price based more on causality than correlation. This allows us to price our customers' policies more fairly—and in turn they pay premiums commensurate with their individual risk profile.

- ***Root Customer Experience.*** Our mobile-first customer experience is designed to make insurance simple. Our customers can on-board through their mobile phone in as little as 47 seconds, without touching their keyboard. Our customers can manage policy adjustments digitally, including through intelligent chat functions.

- ***Full-Stack Insurance Structure.*** We are a full-stack insurance carrier, which affords us complete autonomy with regards to the capabilities and features differentiating our product as well as our pace of innovation. We own and control nearly every aspect of policy design, origination, underwriting, claims and back-end processing, which enables us to iterate constantly and move quickly devoid of major third-party dependencies and inefficiencies. Additionally, we have the flexibility to adjust our use of reinsurance in response to market conditions, optimizing to a "capital-light" business model. We are licensed in 36 states, and our goal is to be licensed in all 50 states by early 2021.

Since launch, our model has delivered rapid growth and continuously improving operating results. Our DWP grew from $106.4 million in 2018 to $451.1 million in 2019. For the six months ended June 30, 2020, our DWP was $306.5 million. Our revenue was $43.3 million and $290.2 million in 2018 and 2019, respectively, and our net losses were $69.1 million and $282.4 million, respectively. For the six months ended June 30, 2020, our revenue was $245.4 million and our net loss was $144.5 million. See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Components of Our Results of Operations".

### Our Model

Our model revolves around using integrated data and technology to create a pricing advantage through granular risk segmentation. The data we collect feeds proprietary risk scoring models which assist us in identifying what we believe to be the riskiest 10 - 15% of drivers on the road, a group we have elected not to quote thus avoiding a risk segment that is up to two times more likely to get in an accident than our average targeted customer. Instead, we

strive to quote the remaining population fairly, often at a lower price than competitors, and build a more attractive book of business that contributes even more data to our flywheel.

Our model benefits from portfolio maturity. Today, our results are disproportionately weighted towards new customers. As of June 30, 2020, 47% of our portfolio was comprised of renewal premiums, compared to an industry standard of approximately 80%.

As we build an underlying base of recurring customers, we expect the following financial impact:

- ***Improve loss ratio.*** Loss ratios typically improve over the term of a customer relationship. For instance, we have observed loss ratios decline by 27% between the first and fourth term, which in turn drives profitability.
- ***Drive cross sell.*** Our product expansion provides an opportunity to generate additional premium without material incremental marketing cost. In the relatively short time since our product launch in active states, 5.4% of eligible auto customers have elected to bundle a renters policy with an auto policy.
- ***Maintain strong retention.*** As of June 30, 2020, our term one and term two policy retention rates, excluding policies that do not make it through the underwriting period and company-initiated rescissions, were 84% and 75%, respectively. Over time retention rates may improve as we build deep relationships with our customers, and already we are seeing an improvement in retention with bundled offerings. Our retention rates include customers that retain through the first day of the subsequent term and exclude policies that do not make it through the underwriting period, as defined by state law, and company-initiated rescissions. Adjusting for these customers reduces one and two term policy retention by 33% and 10%, respectively.
- ***Reduce marketing as a percentage of premium***. Recurring customer premiums have no associated customer acquisition costs and minimal underwriting costs, driving profitability.

We use technology to drive efficiency across all functions, including distribution, underwriting, policy administration and claims in particular. This allows us to operate with a cost to acquire and cost to serve advantage. We efficiently acquire customers directly through multiple channels, including digital (performance), strategic partnerships, channel media and referrals, and as a result our marketing costs are well below industry averages. Today, we acquire more than 75% of our customers through our mobile app and mobile website. Additionally, we are realizing operating efficiencies as we scale against our fixed expense base. Our claims management expenses, as represented by our LAE, are in line with peers within only two years of bringing claims management in-house and with room to improve as we further embed machine learning into our processes.

We believe that over time our loss ratio will improve as our renewal premium base increases and as we are able to more accurately price insurance for new customers. The table below presents the accident period loss ratio from groups of clients, or cohorts, who first became our customers in each of the five quarters from the quarter ended March 31, 2019 through the quarter ended March 31, 2020.

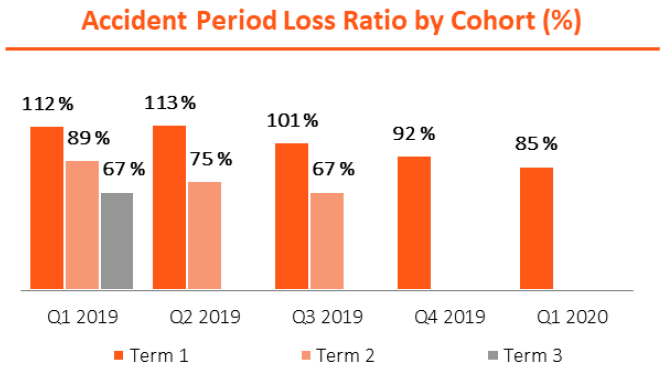
The cohorts are defined as follows:

- The Q1 2019 cohort includes all customers who first became bound to an insurance policy with us between January 1, 2019 and March 31, 2019.
- The Q2 2019 cohort includes all customers who first became bound to an insurance policy with us between April 1, 2019 and June 30, 2019.
- The Q3 2019 cohort includes all customers who first became bound to an insurance policy with us between July 1, 2019 and September 30, 2019.
- The Q4 2019 cohort includes all customers who first became bound to an insurance policy with us between October 1, 2019 and December 31, 2019.

- The Q1 2020 cohort includes all customers who first became bound to an insurance policy with us between January 1, 2020 and March 31, 2020.

For each of the five cohorts, we present the accident period loss ratio over a six month period to represent a complete policy term. For example, the first policy term for the Q1 2019 cohort begins in January through March 2019 and ends in June through August 2019. For the Q1 2019 cohort, we present the accident period loss ratios from the three six-month terms (Term 1, Term 2 and Term 3), for the Q2 2019 and Q3 2019 cohorts we present the accident period loss ratios from the two six-month terms (Term 1 and Term 2), and for the Q4 2019 and Q1 2020 cohorts we present the accident period loss ratios for one six-month term (Term 1).

Our model naturally benefits from improvement in loss ratios as first term loss ratios decline and our portfolio matures. As seen in the chart below, for the 2019 and the first quarter of 2020 cohorts, we have observed first term accident period loss ratios declining, which we believe reflects our consistently improving risk segmentation capabilities and the power of our flywheel. Furthermore, renewal premiums, referring to premiums from a customer's second term and beyond, have lower loss ratios as compared to new premiums in the customer's first term. For the cohort of customers underwritten in the first quarter of 2019, we have observed a meaningful decline in accident period loss ratios between the first and third term. As we grow our business, we anticipate, consistent with industry norms, that a greater proportion of our premiums will be from customer renewals without associated marketing costs. Loss ratios in the personal auto insurance industry trended lower with COVID-19 due to reduced driving and resulting accidents, particularly during the second quarter of 2020. While we cannot determine with precision the impact of COVID-19 on our loss ratios experience, we believe that our loss ratios for cohorts that include these months are favorably affected and believe loss ratios may increase in the short term as driving levels return to pre-COVID-19 levels.




**Capital Management**

We operate a "capital-light" business model and utilize a variety of reinsurance structures to maximize returns on shareholder capital. Our capital management objectives include:

1. ***Top-Line Growth Without a Commensurate Increase in Regulatory Capital Requirements.*** We utilize a variety of reinsurance solutions, quota share in particular, to manage our net retained premium base within our U.S. statutory entity, Root Insurance Company. This enables us to pursue our top-line growth potential, but manage capital requirements to a more tolerable level as we hold minimal incremental capital against premium that we cede to our reinsurance partners. Net of third-party reinsurance, over the long term we expect this structure to enable us to write at least four dollars of net retained premium for each one dollar of capital held across Root Insurance Company and our wholly-owned, Cayman Islands-based captive reinsurer, Root Re. While our reinsurance activities cede a portion of the profit, we expect the net impact to be highly accretive to us on a return basis.

2. ***Support of Customer Acquisition Costs.*** When we enter into a quota share reinsurance agreement, it is only for a defined period of time that we share profits associated with our customer base. As we own the customer relationship, it is at our discretion what level of customer profit potential we seek to share via reinsurance arrangements. In exchange for ceded premium, our reinsurance partners provide significant expense relief via a ceding commission, which we use to help defray customer acquisition costs.

3. ***Protection from Outsized Losses or Tail Events.*** Auto insurance is a stable insurance product with consistent and predictable underwriting results. At the same time, as a growth company with a "capital-light" business model, we believe it is prudent to protect against large or unanticipated losses stemming from tail events. We utilize XOL coverage to mitigate such risk. Our XOL coverage programs provide us with (i) catastrophe protection, (ii) severity protection, and (iii) frequency / aggregate protection. We purchase catastrophe and severity protection against the entirety of our direct earned premium base from a variety of leading global reinsurers. We purchase frequency / aggregate protection against 100% of our net retained premium base from a reinsurance platform that fully collateralizes its potential obligations to us via funding achieved in the insurance-linked security marketplace. In aggregate, we believe these innovative programs provide us with valuable capital and earnings preservation against remote negative scenarios.

We utilize quota share reinsurance with both third-party reinsurers as well as our wholly-owned Cayman reinsurance subsidiary, Root Re. As of July 1, 2020 we quota share approximately 70% of direct earned premiums to third-party reinsurers with a sequence of inception and maturity dates, and the majority of the ceded premiums covered on a cohort basis for four year duration. We quota share an additional 15% of direct earned premium to our captive as of July 1, 2020, which has an efficient capital structure and reduces our exposure to third-party market terms as we can easily increase cession levels if we find market terms unappealing. While third party quota share reinsurance has been core to our strategy since inception, beginning on July 1, 2020, we increased our use of third-party quota share reinsurance with the implementation of our staggered multi-treaty approach to our program. We expect to maintain this target level of third-party quota share reinsurance while rapidly growing our business in order to operate a capital light business model and mitigate market volatility. As our business scales, we expect to have the flexibility to reduce our quota share levels to maximize the return to shareholders.

**Key Performance Indicators**

We regularly review a number of metrics, including the following key performance indicators, to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions. We believe these non-GAAP and operational measures are useful in evaluating our performance, in addition to our financial results prepared in accordance with GAAP. See the section titled "— Non-GAAP Financial Measures" for additional information regarding our use of adjusted gross profit/(loss) and its reconciliation to the most comparable GAAP measures.

| | Years Ended December 31, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2019 | 2019 | 2020 |
| | (dollars in millions, except Premiums per Policy) | | | |
| Policies in Force | | | | |
| Auto | 111,736 | 281,310 | 220,536 | 334,327 |
| Renters | — | 1,747 | — | 5,974 |
| Premiums per Policy | | | | |
| Auto | $ 729 | $ 904 | $ 805 | $ 909 |
| Renters | $ — | $ 127 | $ — | $ 139 |
| Premiums in Force | | | | |
| Auto | $ 162.9 | $ 508.6 | $ 355.1 | $ 607.8 |
| Renters | $ — | $ 0.2 | $ — | $ 0.8 |
| Direct Written Premium | $ 106.4 | $ 451.1 | $ 187.9 | $ 306.5 |
| Direct Earned Premium | $ 61.4 | $ 352.9 | $ 133.4 | $ 295.8 |
| Gross Profit/(Loss) | $ (10.4) | $ (83.5) | $ (24.4) | $ (8.4) |
| Gross Margin | (24.0)% | (28.8)% | (23.4)% | (3.4)% |
| Adjusted Gross Profit/(Loss) | $ (0.2) | $ (54.2) | $ (12.8) | $ 7.4 |
| Ratio of Adjusted Gross Profit/(Loss) to Total Revenue | (0.5)% | (18.7)% | (12.3)% | 3.0 % |
| Ratio of Adjusted Gross Profit/(Loss) to Direct Earned Premium | (0.3)% | (15.4)% | (9.6)% | 2.5 % |
| Direct Loss Ratio | 93.6 % | 99.9 % | 96.4 % | 81.3 % |
| Direct LAE Ratio | 16.9 % | 12.0 % | 10.4 % | 9.5 % |

**Policies in Force**

We define policies in force as the number of current and active policyholders underwritten by us as of the period end date. We view policies in force as an important metric to assess our financial performance because policy growth drives our revenue growth, expands brand awareness, deepens our market penetration, and generates additional data to continue to improve the functioning of our platform.

**Premiums per Policy**

We define premiums per policy as the ratio of direct written premium on policies in force divided by policies in force. We view premiums per policy as an important metric since the higher the premiums per policy the greater the amount of earned premium we expect from each policy.

**Premiums in Force**

We define premiums in force as premiums per policy multiplied by policies in force multiplied by two. We view premiums in force as an estimate of annualized run rate of direct written premium as of a given period. Since our auto policies are six month policies, we multiply this figure by two in order to determine an annualized amount of premiums in force. We view this as an important metric because it is an indicator of the size of our portfolio of policies as well as an indicator of expected earned premium over the coming 12 months. Premiums in force is not a

forecast of future revenue nor is it a reliable indicator of revenue expected to be earned in any given period. We believe that our calculation of premiums in force is useful to investors and analysts because it captures the impact of growth in customers and premiums per policy at the end of each reported period, without adjusting for known or projected policy updates, cancellations and non-renewals.

**Direct Written Premium**

We define direct written premium, as the total amount of direct premium on policies that were bound during the period. We view direct written premium as an important metric because it is the metric that most closely correlates with our growth in direct earned premium. We use direct written premium, which excludes the impact of premiums ceded to reinsurers, to manage our business because we believe that it reflects the business volume and direct economic benefit generated by our customer acquisition activities, which along with our underlying underwriting and claims operations (direct loss ratio and direct LAE) are the key drivers of our future profit opportunities. Additionally, premiums ceded to reinsurers can change significantly based on the type and mix of reinsurance structures we use, and as such we have the optionality to fully retain the premiums from customers acquired in the future.

**Direct Earned Premium**

We define direct earned premium as the amount of direct premium that was earned during the period. Premiums are earned over the period in which insurance protection is provided, which is typically 6 months. We view direct earned premium as an important metric as it allows us to evaluate our growth prior to the impacts of reinsurance. It is the primary driver of our consolidated GAAP revenues. As with direct written premium, we use direct earned premium, which excludes the impact of premiums ceded to reinsurers to manage our business, because we believe that it reflects the business volume and direct economic benefit generated by our customer acquisition activities, which along with our underlying underwriting and claims operations (direct loss ratio and direct LAE) are the key drivers of our future profit opportunities.

**Gross Profit/(Loss)**

We define gross profit/(loss) as total revenue minus net loss and LAE expense and other insurance expense inclusive of depreciation and amortization. We view gross profit/(loss) as an important metric because we believe it is informative of the financial performance of our core insurance business.

Gross profit/(loss) margin is equal to gross profit/(loss) divided by revenue.

**Adjusted Gross Profit/(Loss)**

We define adjusted gross profit/(loss), a non-GAAP financial measure, as gross profit/(loss) excluding net investment income, and report costs, personnel costs, allocated overhead, licenses, professional fees and other expenses, which are included in other insurance expense. After these adjustments, the resulting calculation is inclusive of only those variable costs of revenue incurred on the successful acquisition of business. We view adjusted gross profit/(loss) as an important metric because we believe it measures our progress towards profitability for our core insurance business.

The ratio of adjusted gross profit/(loss) to total revenue is equal to adjusted gross profit/(loss) divided by revenue.

See the section titled "— Non-GAAP Financial Measures" for a reconciliation of total revenue to adjusted gross profit/(loss).

**Ratio of Adjusted Gross Profit/(Loss) to Direct Earned Premium**

The ratio of adjusted gross profit/(loss) to direct earned premium measures the relationship between the underlying business volume and gross economic benefit generated by our underwriting operations, on the one hand, and our underlying profitability trends, on the other. We rely on this measure, which supplements our gross profit/(loss) ratio as calculated in accordance with GAAP, because it provides management with insight into our

underlying profitability trends with respect to our customer base. We use direct earned premium as the denominator in calculating this ratio because it reflects business volume free of elective capital efficiency choices related to our reinsurance programs.

| | Years Ended December 31, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2019 | 2019 | 2020 |
| | (dollars in millions) | | | |
| Numerator: Adjusted Gross Profit/(Loss) | $ (0.2) | $ (54.2) | $ (12.8) | $ 7.4 |
| Denominator: Total Direct Earned Premium | 61.4 | 352.9 | 133.4 | 295.8 |
| Ratio of Adjusted Gross Profit/(Loss) to Direct Earned Premium | (0.3)% | (15.4)% | (9.6)% | 2.5 % |

**Direct Loss Ratio**

We define direct loss ratio expressed as a percentage, as the ratio of direct losses to direct earned premium. Direct loss ratio excludes LAE. We view direct loss ratio as an important metric because it allows us to evaluate incurred losses and LAE separately prior to the impact of reinsurance.

**Direct LAE Ratio**

We define direct LAE ratio expressed as a percentage, as the ratio of direct LAE to direct earned premium. We view direct LAE ratio as an important metric because it allows us to evaluate incurred losses and LAE separately. Currently, we do not cede any of our LAE to third-party reinsurers; therefore, we actively monitor LAE ratio as it has a direct impact on our results regardless of our reinsurance strategy.

**Recent Developments Affecting Comparability**

**COVID-19 Impact**

In December 2019, COVID-19 was first reported in Wuhan, China and in March 2020, the World Health Organization declared a global pandemic. The global pandemic has severely impacted businesses worldwide, including within the insurance industry. We have been impacted by certain individual state bulletins that outline COVID-19 premium relief efforts, including restrictions on the ability to cancel policies for non-payment, requiring deferral of insurance premium payments for up to 60 days and restrictions on increasing policy premiums. COVID-19 has impacted and may further impact the broader economic environment, including negatively impacting unemployment levels, economic growth, the proper functioning of financial and capital markets and interest rates. As the COVID-19 pandemic continues to develop, there is uncertainty around the severity and duration of the pandemic and the pandemic's potential change on our business and our financial performance. See the section titled "Risk Factors" for more details.

**Comprehensive Reinsurance**

We expect to continue to utilize reinsurance in the future, and our diversified approach to reinsurance allows us to be flexible in response to market conditions, which allows us to strategically fuel growth and technology investment by optimizing the amount of capital required in a "capital-light" model.

**Key Factors and Trends Affecting our Operating Performance**

Our financial condition and results of operations have been, and will continue to be, affected by a number of factors, including the following:

**Our Ability to Attract New Customers**

Our long-term growth will depend, in large part, on our continued ability to attract new customers to our platform. We intend to continue to drive new customer growth by leveraging our differentiated consumer experience and our telematics-based pricing. Additionally, our proprietary dataset will continue to scale as we grow, enabling us to enhance our predictive models that will further improve pricing and attract potential new customers. We will also

continue to target attractive potential customer segments through our digital marketing channels and strategic partnerships. Similarly, we intend to increase our presence in digital and traditional channel media and launch a national advertising campaign to build our brand awareness. Our ability to attract new customers will depend on a number of factors, including the pricing of our products, offerings of our competitors, our ability to expand into new markets, and the effectiveness of our marketing efforts. Our ability to attract and retain customers depends on maintaining and strengthening our brand by providing superior customer experiences and competitive pricing. In particular, we are challenged by traditional insurers who have more diverse product offerings and longer established operating histories. These competitors can mimic certain aspects of our digital platform and offerings and as they have more types of insurance products, can offer customers the ability to "bundle" multiple coverage types together, which may be attractive to many customers.

**Our Ability to Retain Customers**

Our ability to derive significant lifetime value from our customer relationships depends, in part, on our ability to retain our customers over time. Strong retention allows us to build a recurring revenue base, generating additional premiums term over term without material incremental marketing costs. As we broadly retain customers and our book of business evolves to be more weighted towards renewals versus new business, as is the case with our mature competitors, we will benefit from the inherently lower loss ratios that characterize renewed premiums. Our ability to retain customers will depend on a number of factors, including our customers' satisfaction with our products, offerings of our competitors and pricing of products.

**Our Ability to Expand Premiums and Fee Income Per Policy Through Cross-Sell**

We are in the early stages of cross-selling non-auto products across our customer base. In 2019, we began offering renters insurance and, in May 2020, we launched our homeowners insurance policy in partnership with Homesite Insurance, or Homesite. Cross-sales allow us to generate additional premiums (renters) and fee income (homeowners) without material incremental marketing spend, and ultimately higher revenue per customer. We have also observed that bundling products with auto insurance improves retention as the relationship with our customer expands. Our success in expanding revenues through cross-sales depends on our marketing efforts with new products, continuous state expansion of these offerings and the pricing of our bundled products. The success of our renters insurance offering is also subject to our ability to develop underwriting capabilities to adequately price renters risk.

**Our Ability to be Licensed in all States in the United States**

Our long-term growth opportunity will benefit from our ability to provide insurance across more states in the United States. Today, we are licensed in 36 states, and active in 30 states, for auto insurance and expect to be licensed in all 50 states in early 2021. For renters insurance, we are licensed in 14 states and active in 8 states. Our continuous state expansion has unlocked a large total addressable market for sustained growth, made our direct targeted marketing more efficient and creates an opportunity to build a national brand, supporting our marketing holistically.

**Our Ability to Manage Risk**

We leverage technology to help manage risk. For instance, we leverage machine learning to "clean" behavioral data obtained through a customers' mobile device and we use advanced statistical methods to model that data into usable behavior scores. We leverage intelligent chat functions, and various forms of machine learning and advanced automation help power our claims function. Technology is a key differentiator in managing risk across our key functions. Our success depends on our ability to adequately and competitively price risk.

**Components of Our Results of Operations**

**Revenue**

We generate revenue primarily from the sale of auto insurance policies within the United States and to a lesser extent from the sale of renters insurance policies. We have agency operations that generate commission revenue by

selling homeowners insurance policies on behalf of a third-party insurance company. We also generate revenue through fee income from our customers paying on installment and from net investment income earned on our investment portfolio.

**Net Premiums Earned**

Premiums written are deferred and earned pro rata over the policy period. Net premiums earned represents the earned portion of our gross written premium, less the earned portion that is ceded to third-party reinsurers under our reinsurance agreements.

**Net Investment Income**

Net investment income represents interest earned from our fixed maturity and short-term investments less investment expenses. Net investment income is directly correlated with the overall size of our investment portfolio and with the market level of interest rates. The size of our investment portfolio, and consequently our net investment income, is expected to increase in future periods as we invest both customer premiums and equity proceeds into our investment portfolio.

**Fee Income**

For those policyholders who pay premiums on an installment basis, we charge a flat fee for each installment related to the additional administrative costs associated with processing more frequent billing. In addition, we have agency operations that generate commission revenues by selling a policy to a customer on behalf of a third-party insurance company.

**Operating Expenses**

Our operating expenses consist of loss and loss adjustment expenses, sales and marketing, other insurance expense, technology and development, and general and administrative expenses.

**Loss and Loss Adjustment Expenses**

Loss and LAE include an amount determined using adjuster determined case-base estimates for reported claims and actuarial determined unpaid claim estimates using past experience and historical emergence patterns for unreported losses and loss adjustment expenses. These reserves are established to cover the estimated ultimate cost to settle insured losses. The unpaid claim estimates consider loss trends, mix of business, and other risk factors impacting claims settlement. The method used to estimate unpaid LAE reserves is based on claims transaction data, including the relative cost of settling the range of claim types from express material damage claims to more complex injury cases.

Loss and LAE is net of amounts ceded to reinsurers. We enter into reinsurance contracts to limit our exposure to potential losses as well as to provide additional capacity for growth. These expenses are a function of the size and term of the insurance policies we write and the loss experience associated with the underlying risks. Loss and LAE may be paid out over a period of years.

Various other expenses incurred during claims processing are allocated to Loss and LAE. These amounts include claims salaries, health benefits, bonuses, employee retirement plan related expenses and share-based compensation expense, or Personnel Costs; software expense; internally developed software amortization; and overhead allocated based on headcount, or Overhead.

**Sales and Marketing**

Sales and marketing includes spend related to performance and partnership channels, channel media, advertising, branding, public relations, consumer insights and referral fees. These expenses also include related Personnel Costs and Overhead. We incur sales and marketing activities for all product offerings including our newly introduced Enterprise product. Sales and marketing are expensed as incurred.

We plan to continue investing in marketing to attract and acquire new customers, increase our brand awareness, and expand our Enterprise product offering. We expect that sales and marketing will increase in absolute dollars in future periods and vary from period-to-period as a percentage of revenue in the near-term. We expect that, in the long-term, our sales and marketing will decrease as a percentage of revenue as the proportion of renewals to our total business increases.

**Other Insurance Expense**

Other insurance expense includes underwriting expenses, credit card and policy processing expenses, premium write-offs, insurance license expenses, and Personnel Costs and Overhead related to actuarial and certain data science activities. Other insurance expense also includes amortization of deferred acquisition costs like premium taxes and report costs related to the successful acquisition of a policy. Other insurance expense is expensed as incurred, except for costs related to deferred acquisition costs that are capitalized and subsequently amortized over the same period in which the related premiums are earned. These expenses are also recognized net of ceding commissions earned.

**Technology and Development**

Technology and development consists of software development costs related to our mobile app and homegrown information technology systems; third-party services related to infrastructure support; Personnel Costs and Overhead for engineering, product, technology, and certain data science activities; and amortization of internally developed software. Technology and development is expensed as incurred, except for development and testing costs related to internally developed software that are capitalized and subsequently amortized over the expected useful life.

We expect technology and development to increase in absolute dollars and as a percentage of total revenue as we continue to devote significant resources to enhance our customer experience and continually improve our integrated technology platform. Over time, we expect technology and development to decrease as a percentage of revenue.

**General and Administrative**

General and administrative expenses primarily relate to external professional service expenses; Personnel Costs and Overhead for corporate functions; and depreciation expense for computers, furniture and other fixed assets. General and administrative expenses are expensed as incurred.

We expect general and administrative expenses to continue to increase in the near term, both in absolute dollars and as a percentage of total revenue, and then decrease as a percentage of revenue over time.

**Interest Expense**

Interest expense is not an operating expense; therefore, we include these expenses below operating expenses. Interest expense primarily relates to interest incurred on our long term debt; certain fees that are expensed as incurred; and the amortization of debt issuance costs, and the issuance of warrants. In addition, changes in the fair value of warrant liabilities that are associated with our long term debt and changes in the fair value of our former Simple Agreement for Future Equity, or SAFE, are recorded as interest expense.

**Results of Operations**

The following table presents our results of operations for the periods indicated:

| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | % of Total Revenue | 2020 | % of Total Revenue | $ Change | % Change |
| | (dollars in millions) | | | | | |
| Net premiums earned | $ 98.6 | 94.7 % | $ 233.5 | 95.2 % | $ 134.9 | 136.8 % |
| Net investment income | 1.7 | 1.6 % | 3.2 | 1.3 % | 1.5 | 88.2 % |
| Net realized gains (losses) on investments | — | — % | 0.1 | — % | 0.1 | — % |
| Fee income | 3.8 | 3.7 % | 8.6 | 3.5 % | 4.8 | 126.3 % |
| Total revenue | 104.1 | 100.0 % | 245.4 | 100.0 % | 141.3 | 135.7 % |
| Operating expenses: | | | | | | |
| Loss and loss adjustment expenses | 109.6 | 105.3 % | 227.2 | 92.6 % | 117.6 | 107.3 % |
| Sales and marketing | 39.2 | 37.7 % | 53.2 | 21.7 % | 14.0 | 35.7 % |
| Other insurance expense | 18.9 | 18.2 % | 26.6 | 10.8 % | 7.7 | 40.7 % |
| Technology and development | 8.4 | 8.1 % | 27.3 | 11.1 % | 18.9 | 225.0 % |
| General and administrative | 22.4 | 21.5 % | 42.2 | 17.2 % | 19.8 | 88.4 % |
| Total operating expenses | 198.5 | 190.7 % | 376.5 | 153.4 % | 178.0 | 89.7 % |
| Interest expense | 2.6 | 2.1 % | 13.4 | 7.7 % | 10.8 | 415.4 % |
| Loss before income tax expense | (97.0) | (159.6)% | (144.5) | (97.3)% | (47.5) | N.M. |
| Income tax expense | — | — % | — | — % | — | — % |
| Net loss | (97.0) | (159.6)% | (144.5) | (97.3)% | (47.5) | N.M. |
| Other comprehensive income: | | | | | | |
| Changes in unrealized gain on investments | 0.7 | — % | 4.9 | 0.2 % | 4.2 | 600.0 % |
| Comprehensive loss | $ (96.3) | (159.6)% | $ (139.6) | (97.1)% | $ (43.3) | N.M. |

N.M. - Percentage change not meaningful

***Comparison of the Six Months Ended June 30, 2019 and 2020***

***Revenue***

**Net Premiums Earned**

Net premiums earned increased $134.9 million, or 136.8%, from $98.6 million for the six months ended June 30, 2019 to $233.5 million for the six months ended June 30, 2020, which was primarily attributable to significant growth in policies in force between the periods driven by expansion into five new states and deeper market penetration in existing states and territories, as well as greater average premium per policy primarily due to pricing changes implemented throughout the periods.

**Fee Income**

Fee income increased $4.8 million, or 126.3%, from $3.8 million for the six months ended June 30, 2019 to $8.6 million for the six months ended June 30, 2020. The increase was primarily due to increased customer volumes and an increase in customers paying in installments.

***Operating Expenses***

**Loss and Loss Adjustment Expenses**

Loss and LAE increased $117.6 million, or 107.3%, from $109.6 million for the six months ended June 30, 2019 to $227.2 million for the six months ended June 30, 2020. The increase was primarily due to higher claims between the periods driven by the greater exposure base due to growth in premium volume and policies in force. As a percentage of revenue, loss and LAE decreased from 105.3% for the six months ended June 30, 2019 to 92.6% for the six months ended June 30, 2020, this change is primarily attributable to a decrease in driving and claim count due to COVID-19 stay-at-home restrictions, which began in March 2020 and lasted into mid-second quarter 2020.

**Sales and Marketing**

Sales and marketing increased $14.0 million, or 35.7%, from $39.2 million for the six months ended June 30, 2019 to $53.2 million for the six months ended June 30, 2020. The increase was primarily due to our continuing efforts to increase our customer base through greater investment in digital and partnership marketing channels. Personnel Costs increased between the periods as we hired additional sales and marketing headcount to support our continued growth and expansion into new markets. Sales and marketing as a percentage of revenue decreased from 37.7% of revenue for the six months ended June 30, 2019 to 21.7% of revenue for the six months ended June 30, 2020 due to a slowdown in digital marketing spend related to the uncertainty surrounding the COVID-19 pandemic beginning in mid-March 2020.

**Other Insurance Expense**

Other insurance expense increased $7.7 million, or 40.7%, from $18.9 million for the six months ended June 30, 2019 to $26.6 million for the six months ended June 30, 2020. The increase was primarily due to greater underwriting costs and premium write offs between the periods. Greater amortization of deferred acquisition costs during the first six months of 2020 was driven by increased customer volumes resulting in higher variable costs, including premium taxes and underwriting costs. Personnel Costs within other insurance expense was greater during the first six months of 2020 due to the hiring of additional actuarial and data science staff. This was partially offset by greater ceding commission contra-expense during the first six months of 2020 as well as lower sliding scale commission expense of $5.6 million between the periods. Other insurance expense as a percentage of revenue decreased from 18.2% of revenue for the six months ended June 30, 2019 to 10.8% of revenue for the six months ended June 30, 2020.

**Technology and Development**

Technology and development increased $18.9 million, or 225.0%, from $8.4 million for the six months ended June 30, 2019 to $27.3 million for the six months ended June 30, 2020. The increase was primarily due to greater Personnel Costs between the periods driven by share-based compensation expense attributable to the March 2020 secondary tender offer, as well as significant headcount growth of the engineering and product teams during the first six months of 2020. In addition, we incurred greater software and amortization of internally developed software expense during the first six months of 2020 as we continued to invest in developing and improving our technology platforms. Technology and development expense as a percentage of revenue increased from 8.1% of revenue for the six months ended June 30, 2019 to 11.1% of revenue for the six months ended June 30, 2020 primarily attributable to the secondary tender offer discussed above.

**General and Administrative**

General and administrative increased $19.8 million, or 88.4%, from $22.4 million for the six months ended June 30, 2019 to $42.2 million for the six months ended June 30, 2020. The increase was primarily driven by the increase in share-based compensation expense related to the secondary tender offer completed in the first quarter of 2020. In addition, the increase in general and administrative was driven by greater legal and other professional costs as well as additional headcount during the first six months of 2020 as we increased finance, legal, and administrative personnel to support our overall growth and expanded compliance related initiatives. General and administrative

expense as a percentage of revenue decreased from 21.5% of revenue for the six months ended June 30, 2019 to 17.2% of revenue for the six months ended June 30, 2020 as we achieved greater economies of scale.

**Interest Expense**

Interest expense increased $10.8 million, or 415.4%, from $2.6 million for the six months ended June 30, 2019 to $13.4 million for the six months ended June 30, 2020. The increase was primarily due to higher outstanding debt during the first six months of 2020 compared to first six months of 2019 that resulted in additional interest expense; certain debt related fees that were expensed as incurred; the amortization of capitalized debt and warrants issuance costs; and paid-in-kind, or PIK, interest expense. In addition, interest expense for the first six months of 2020 includes a fair value adjustment of warrants.

The following table presents our results of operations for the periods indicated:

| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | % of Total Revenue | 2019 | % of Total Revenue | $ Change | % Change |
| | (dollars in millions) | | | | | |
| Net premiums earned | $ 40.2 | 92.8 % | $ 275.3 | 94.9 % | $ 235.1 | 584.8 % |
| Net investment income | 1.2 | 2.8 % | 5.2 | 1.8 % | 4.0 | 333.3 % |
| Fee income | 1.9 | 4.4 % | 9.7 | 3.3 % | 7.8 | 410.5 % |
| Total revenue | 43.3 | 100.0 % | 290.2 | 100.0 % | 246.9 | 570.2 % |
| | | | | | | |
| Operating expenses: | | | | | | |
| Loss and loss adjustment expenses | 43.5 | 100.5 % | 321.4 | 110.8 % | 277.9 | 638.9 % |
| Sales and marketing | 40.3 | 93.1 % | 109.6 | 37.8 % | 69.3 | 172.0 % |
| Other insurance expense | 10.2 | 23.6 % | 52.3 | 18.0 % | 42.1 | 412.7 % |
| Technology and development | 8.2 | 18.9 % | 24.0 | 8.3 % | 15.8 | 192.7 % |
| General and administrative | 9.3 | 21.5 % | 43.0 | 14.8 % | 33.7 | 362.4 % |
| Total operating expenses | 111.5 | 257.5 % | 550.3 | 189.6 % | 438.8 | 393.5 % |
| | | | | | | |
| Interest expense | 0.9 | 2.1 % | 22.3 | 7.7 % | 21.4 | 2377.8 % |
| | | | | | | |
| Loss before income tax expense | (69.1) | (159.6)% | (282.4) | (97.3)% | (213.3) | N.M. |
| Income tax expense | — | — % | — | — % | — | — % |
| Net loss | (69.1) | (159.6)% | (282.4) | (97.3)% | (213.3) | N.M. |
| Other comprehensive income: | | | | | | |
| Changes in unrealized gain on investments | — | — % | 0.6 | 0.2 % | 0.6 | N.M. |
| Comprehensive loss | $ (69.1) | (159.6)% | $ (281.8) | (97.1)% | $ (212.7) | N.M. |

N.M. - Percentage change not meaningful

***Comparison of Years Ended December 31, 2018 and 2019***

***Revenue***

**Net Premiums Earned**

Net premiums earned increased $235.1 million, or 584.8%, from $40.2 million for the year ended December 31, 2018 to $275.3 million in 2019, which was primarily attributable to significant growth in policies in force during the year driven by expansion into seven new states and the addition of new product offerings.

**Net Investment Income**

Net investment income increased $4.0 million, or 333.3%, from $1.2 million for the year ended December 31, 2018 to $5.2 million in 2019. The increase was primarily due to higher average balance of investments during the year ended December 31, 2019. We mainly invest in U.S. Treasury securities, municipal securities, corporate debt securities, residential mortgage-backed securities, commercial mortgage-backed securities, and other debt obligations.

**Fee Income**

Fee income increased $7.8 million, or 410.5%, from $1.9 million for the year ended December 31, 2018 to $9.7 million in 2019. The increase was primarily due to increased customer volumes and an increase in customers paying in installments.

***Operating Expenses***

**Loss and Loss Adjustment Expenses**

Loss and LAE increased $277.9 million, or 638.9%, from $43.5 million for the year ended December 31, 2018 to $321.4 million in 2019. The increase was primarily due to increased claims between the periods which corresponds to growth in premium volume and customer base. We incurred higher loss and LAE expense during the year ended December 31, 2019 due to the recognition of $7.8 million of loss corridor expense as a feature of certain reinsurance agreements. LAE dollars grew between periods primarily driven by transitioning claims from a third-party administrator to an in-house function beginning in late 2018. Loss and LAE as a percentage of revenue increased from 100.5% of revenue in 2018 to 110.8% of revenue in 2019.

**Sales and Marketing**

Sales and marketing increased $69.3 million, or 172.0%, from $40.3 million for the year ended December 31, 2018 to $109.6 million in 2019. The increase was primarily due to our continuing efforts to increase our customer base and marketing to the seven additional states into which we expanded to during 2019. Personnel Costs allocated to sales and marketing grew between the periods as we scaled up our sales and marketing function between the periods. Sales and marketing as a percentage of revenue decreased from 93.1% of revenue in 2018 to 37.8% of revenue in 2019 as we achieved greater economies of scale.

**Other Insurance Expense**

Other insurance expense increased $42.1 million, or 412.7%, from $10.2 million for the year ended December 31, 2018 to $52.3 million in 2019. The increase was primarily due to greater underwriting costs and premium write offs, as well as increased amortization of deferred acquisition costs during 2019 due to increased customer volumes resulting in higher variable costs, including premium taxes and underwriting costs. Greater sliding scale commission expense of $7.2 million was recognized during 2019 compared to the prior year. Other insurance expense was partially offset by ceding commission contra-expense during 2019. Personnel Costs within other insurance expense was greater in 2019 as additional actuarial and data science staff were added during 2019. Other insurance expense as a percentage of revenue decreased from 23.6% of revenue in 2018 to 18.0% of revenue in 2019.

**Technology and Development**

Technology and development increased $15.8 million, or 192.7%, from $8.2 million for the year ended December 31, 2018 to $24.0 million in 2019. The increase was primarily due to greater Personnel Costs within technology and development between the periods driven by significant headcount growth of the engineering and product teams during 2019. In addition, we incurred greater software and amortization of internally developed software expense during 2019 as we continued to invest in developing and improving our technology platforms. Technology and development as a percentage of revenue decreased from 18.9% of revenue in 2018 to 8.3% of revenue in 2019 as we achieved greater economies of scale.

**General and Administrative**

General and administrative increased $33.7 million, or 362.4%, from $9.3 million for the year ended December 31, 2018 to $43.0 million in 2019. The increase was primarily driven by the increase in share-based compensation expense related to the secondary tender offer completed in the first quarter of 2019. In addition, the increase in general and administrative was driven by greater headcount in 2019 allocated to general and administrative expense as well as greater legal and other professional costs. General and administrative as a percentage of revenue decreased from 21.5% of revenue in 2018 to 14.8% of revenue in 2019 as we achieved greater economies of scale.

**Interest Expense**

Interest expense increased $21.4 million, or 2,377.8%, from $0.9 million for the year ended December 31, 2018 to $22.3 million in 2019. The increase was primarily due to issuance of new term loans executed during 2019 that resulted in additional interest expense; certain debt related fees that were expensed as incurred; the amortization of certain capitalized debt issuance costs, and the issuance of warrants. In addition, we adjusted the fair value of the SAFE instrument prior to its conversion into shares of Series E redeemable convertible preferred stock.

**Certain Quarterly Information**

The following table sets forth policies in force, premiums per policy, premiums in force, direct written premium, direct earned premium, gross profit/(loss), gross margin, adjusted gross profit/(loss), ratio of adjusted gross profit/(loss) to total revenue, ratio of adjusted gross profit/(loss) to direct earned premium, direct loss ratio,

direct LAE ratio, total direct accident period loss ratio, renewal direct accident period loss ratio and the ratio of renewal premiums to direct earned premiums on a quarterly basis from March 31, 2019 through June 30, 2020:

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | | 2020 | |
| | March 31, | June 30, | September 30, | December 31, | March 31, | June 30, |
| | (dollars in millions, except Premiums per Policy) | | | | | |
| Policies in Force | | | | | | |
| Auto | 176,179 | 220,536 | 242,631 | 281,310 | 334,209 | 334,327 |
| Renters | — | — | 825 | 1,747 | 3,163 | 5,974 |
| Premiums per Policy | | | | | | |
| Auto | $ 770 | $ 805 | $ 877 | $ 904 | $ 889 | $ 909 |
| Renters | $ — | $ — | $ 122 | $ 127 | $ 133 | $ 139 |
| Premiums in Force | | | | | | |
| Auto | $ 271.3 | $ 355.1 | $ 425.6 | $ 508.6 | $ 594.2 | $ 607.8 |
| Renters | $ — | $ — | $ 0.1 | $ 0.2 | $ 0.4 | $ 0.8 |
| Direct Written Premium | $ 88.7 | $ 99.2 | $ 119.5 | $ 143.7 | $ 164.2 | $ 142.3 |
| Direct Earned Premium | $ 53.4 | $ 80.0 | $ 99.9 | $ 119.6 | $ 143.9 | $ 151.9 |
| Gross Profit/(Loss) | $ (16.8) | $ (7.6) | $ (36.5) | $ (22.6) | $ (17.2) | $ 8.8 |
| Gross Margin | (40.6)% | (12.1)% | (45.9)% | (21.2)% | (13.9)% | 7.2 % |
| Adjusted Gross Profit/(Loss) | $ (11.7) | $ (1.1) | $ (27.2) | $ (14.2) | $ (8.7) | $ 16.1 |
| Ratio of Adjusted Gross Profit/(Loss) to Total Revenue | (28.3)% | (1.8)% | (34.2)% | (13.3)% | (7.0)% | 13.3 % |
| Ratio of Adjusted Gross Profit/(Loss) to Direct Earned Premium | (21.9)% | (1.4)% | (27.2)% | (11.9)% | (6.0)% | 10.6 % |
| Direct Loss Ratio | 104.8 % | 90.7 % | 113.3 % | 92.6 % | 92.8 % | 70.4 % |
| Direct LAE Ratio | 15.7 % | 6.9 % | 12.7 % | 13.4 % | 10.4 % | 8.5 % |
| Direct Accident Period Loss Ratio | | | | | | |
| Total | 105.8 % | 110.1 % | 101.1 % | 97.8 % | 82.0 % | 67.8 % |
| Renewal | 109.2 % | 100.7 % | 94.9 % | 89.2 % | 70.4 % | 58.4 % |
| Ratio of Renewal to Direct Earned Premium | 28.0 % | 35.2 % | 42.1 % | 46.9 % | 45.1 % | 51.1 % |

The ratio of renewal to direct earned premium in the table above is equal to renewal premiums, or premiums from a customer's second term and beyond, during the period divided by directed earned premiums during the period.

**Non-GAAP Financial Measure**

The non-GAAP financial measure below has not been calculated in accordance with generally accepted accounting principles in the United States, or GAAP, and should be considered in addition to results prepared in accordance with GAAP and should not be considered as a substitute for, or superior to, GAAP results. In addition, adjusted gross profit/(loss) should not be construed as indicators of our operating performance, liquidity or cash flows generated by operating, investing and financing activities, as there may be significant factors or trends that they fail to address. We caution investors that non-GAAP financial information, by its nature, departs from traditional accounting conventions. Therefore, its use can make it difficult to compare our current results with our results from other reporting periods and with the results of other companies.

Our management uses this non-GAAP financial measure, in conjunction with GAAP financial measures, as an integral part of managing our business and to, among other things: (1) monitor and evaluate the performance of our business operations and financial performance; (2) facilitate internal comparisons of the historical operating

performance of our business operations; (3) facilitate external comparisons of the results of our overall business to the historical operating performance of other companies that may have different capital structures and debt levels; (4) review and assess the operating performance of our management team; (5) analyze and evaluate financial and strategic planning decisions regarding future operating investments; and (6) plan for and prepare future annual operating budgets and determine appropriate levels of operating investments.

**Adjusted Gross Profit/(Loss)**

We define adjusted gross profit/(loss) as gross profit/(loss) excluding net investment income, net realized gains (losses) on investments, report costs, Personnel Costs, allocated Overhead, licenses, professional fees and other expenses which are included in other insurance expense. We define the ratio of adjusted gross profit/(loss) to total revenue as adjusted gross profit/(loss) divided by total revenue. We define the ratio of adjusted gross profit/(loss) to direct earned premium as adjusted gross profit/(loss) divided by direct earned premium.

The following table provides a reconciliation of total revenue to adjusted gross profit/(loss) for the years ended December 31, 2018 and 2019 and the six months ended June 30, 2019 and 2020:

| | Years Ended December 31, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2019 | 2019 | 2020 |
| | (dollars in millions) | | | |
| Total revenue | $ 43.3 | $ 290.2 | $ 104.1 | $ 245.4 |
| Loss and LAE | (43.5) | (321.4) | (109.6) | (227.2) |
| Other insurance expense | (10.2) | (52.3) | (18.9) | (26.6) |
| Gross profit/(loss) | (10.4) | (83.5) | (24.4) | (8.4) |
| Gross Margin | (24.0)% | (28.8)% | (23.4)% | (3.4)% |
| Less: | | | | |
| Net investment income | (1.2) | (5.2) | (1.7) | (3.2) |
| Net realized gains (losses) on investments | — | — | — | (0.1) |
| Report costs | 9.7 | 29.7 | 11.5 | 14.9 |
| Personnel costs | 1.6 | 3.9 | 1.5 | 3.5 |
| Allocated overhead, licenses, professional fees and other | 0.1 | 0.9 | 0.3 | 0.7 |
| Adjusted gross profit/(loss) | $ (0.2) | $ (54.2) | $ (12.8) | $ 7.4 |
| Direct earned premium | $ 61.4 | $ 352.9 | $ 133.4 | $ 295.8 |
| Ratio of adjusted gross profit/(loss) to total revenue | (0.5)% | (18.7)% | (12.3)% | 3.0 % |
| Ratio of adjusted gross profit/(loss) to direct earned premium | (0.3)% | (15.4)% | (9.6)% | 2.5 % |

The following table provides a reconciliation of total revenue to adjusted gross profit/(loss) for each of the quarterly periods from March 31, 2019 through June 30, 2020.

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | | 2020 | |
| | March 31, | June 30, | September 30, | December 31, | March 31, | June 30, |
| | (dollars in millions) | | | | | |
| Total revenue | $ 41.4 | $ 62.7 | $ 79.6 | $ 106.5 | $ 124.0 | $ 121.4 |
| Loss and LAE | (50.0) | (59.6) | (100.9) | (110.9) | (129.9) | (97.3) |
| Other insurance expense | (8.2) | (10.7) | (15.2) | (18.2) | (11.3) | (15.3) |
| Gross profit/(loss) | (16.8) | (7.6) | (36.5) | (22.6) | (17.2) | 8.8 |
| Gross Margin | (40.6)% | (12.1)% | (45.9)% | (21.2)% | (13.9)% | 7.2 % |
| Less: | | | | | | |
| Net investment income | (0.7) | (1.0) | (1.1) | (2.4) | (2.0) | (1.2) |
| Net realized gains (losses) on investments | — | — | — | — | — | (0.1) |
| Report costs | 5.0 | 6.5 | 9.0 | 9.2 | 8.2 | 6.7 |
| Personnel costs | 0.6 | 0.9 | 1.2 | 1.2 | 2.1 | 1.4 |
| Allocated overhead, licenses, professional fees and other | 0.2 | 0.1 | 0.2 | 0.4 | 0.2 | 0.5 |
| Adjusted gross profit/(loss) | $ (11.7) | $ (1.1) | $ (27.2) | $ (14.2) | $ (8.7) | $ 16.1 |
| Direct earned premium | $ 53.4 | $ 80.0 | $ 99.9 | $ 119.6 | $ 143.9 | $ 151.9 |
| Ratio of adjusted gross profit/(loss) to total revenue | (28.3)% | (1.8)% | (34.2)% | (13.3)% | (7.0)% | 13.3 % |
| Ratio of adjusted gross profit/(loss) to direct earned premium | (21.9)% | (1.4)% | (27.2)% | (11.9)% | (6.0)% | 10.6 % |

**Liquidity and Capital Resources**

We are organized as a holding company, but our primary operations are conducted by our wholly-owned insurance subsidiary, Root Insurance Company, an Ohio-domiciled insurance company.

The payment of dividends by our insurance subsidiary is subject to restrictions set forth in the insurance laws and regulations of the State of Ohio. The State of Ohio insurance laws require Ohio domiciled insurance companies to notify the superintendent of the Ohio DOI to seek prior regulatory approval to pay a dividend or distribute cash or other property if the fair market value thereof, together with that of other dividends paid or distributions made within the preceding 12 months, exceeds the greater of 10% of the insurance company's statutory basis policyholders' surplus as of the preceding December 31 or the statutory basis net income of the insurance company for the 12-month period ended as of the preceding December 31. To date, our insurance subsidiary has not paid any dividends and as of December 31, 2019, it was not permitted to pay any dividends to us without approval of the superintendent of the Ohio DOI.

In addition, the Risk-Based Capital Model Act adopted by the NAIC provides formulas to determine the amount of capital that an insurance company must maintain to ensure that it has an acceptable expectation of not becoming financially impaired. As our insurance subsidiary's business grows, the amount of capital we are required to maintain to satisfy our risk-based capital requirements may increase significantly. To comply with these regulations, we may be required to maintain capital in the insurance subsidiary that we would otherwise invest in our growth and operations. At December 31, 2019, our insurance subsidiary maintained a risk-based capital level that is in excess of an amount that would require any corrective actions on our part. Our insurance subsidiary's primary sources of funds are capital contributions from the holding company, premiums earned, fee income revenues, and net investment income. Funds are primarily used to pay claims and operating expenses and to purchase investments.

Our wholly-owned, Cayman Islands-based reinsurance subsidiary, Root Re, maintains a Class B(iii) insurer license under CIMA. At December 31, 2019, Root Re was subject to compliance with certain capital levels and a net earned premium to capital ratio of 8:1, which was maintained as of December 31, 2019. The capital ratio can fluctuate at Root Re's election, subject to regulatory approval. Root Re's primary sources of funds are capital contributions from the holding company, ceded insurance premiums and net investment income. These funds are primarily used to pay claims and operating expenses and to purchase investments. Root Re must receive approval from CIMA before it can pay any dividend to the holding company.

Since inception, we have financed operations primarily through sales of insurance policies and the net proceeds we have received from our issuance of preferred stock, debt, and sales of investments. As of June 30, 2020, we had $240.9 million in cash and cash equivalents, of which $113.4 million was held at Root, Inc. and outside of regulated insurance entities, and $222.4 million was held in marketable securities.

Our cash and cash equivalents primarily consist of bank deposits and money market funds. Our marketable securities consist of U.S. treasury securities, municipal securities, corporate debt securities, residential and commercial mortgage-backed securities, and other debt obligations.

We believe that our existing cash and cash equivalents, marketable securities, and cash flow from operations will be sufficient to support working capital and capital expenditure requirements for at least the next 12 months. Our future capital requirements will depend on many factors, including our insurance premium growth rate, renewal activity, including the timing and the amount of cash received from customers, the expansion of marketing activities, the timing and extent of spending to support development efforts, the introduction of new and enhanced products, the continuing market adoption of offerings on our platform, and the current uncertainty in the global markets resulting from the worldwide COVID-19 pandemic.

The following table summarizes our cash flow data for the periods presented:

| | Years Ended December 31, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2019 | 2019 | 2020 |
| | (in millions) | | | |
| Net cash used in operating activities | $ (26.1) | $ (127.2) | $ (38.0) | $ (62.4) |
| Net cash used in investing activities | (20.6) | (114.0) | (45.6) | (99.3) |
| Net cash provided by (used in) financing activities | 150.9 | 535.5 | 92.7 | (13.0) |

Net cash used in operating activities for the six months ended June 30, 2020 was $62.4 million an increase of net cash used of $24.4 million from $38.0 million for the six months ended June 30, 2019. This reflected the $144.5 million net loss for the six months ended June 30, 2020, which includes the impact of the non-cash tender offer and an increase in bad debt expense. This was partially offset by net cash provided by changes in our operating assets and liabilities, which is primarily attributable to loss and loss adjustment expense reserves, reinsurance premiums payable and unearned premiums which outpaced the increases in prepaid reinsurance premiums, premiums receivable and reinsurance recoverable. Cash used in operating activities was $38.0 million for the six months ended June 30, 2019. This resulted from our net loss of $97.0 million, partially offset by non-cash tender offer expense. Net cash provided by changes in operating assets and liabilities primarily consisted of increases in unearned premiums, loss and loss adjustment expense reserves and reinsurance premiums payable which outpaced the growth of premiums receivable, reinsurance recoverable and prepaid reinsurance premiums. The increase in cash used in operating activities from the six months ended June 30, 2020 compared to the six months ended June 30, 2019 was primarily due to the volume and timing of premium receipts and claims payments as well as change in tender offer and bad debt expense.

Net cash used in operating activities for the year ended December 31, 2019 was $127.2 million a decrease of $101.1 million from $26.1 million for the year ended December 31, 2018. This reflected the $282.4 million net loss for the year ended December 31, 2019, which includes the non-cash impact of the SAFE fair value adjustment and tender offer expense. This was partially offset by increased loss and loss adjustment expenses reserves, unearned premiums and accounts payable and accrued expenses, which outpaced the increases in premiums receivable. Cash

used in operating activities was $26.1 million for the year ended December 31, 2018. This resulted from our net loss of $69.1 million, partially offset by cash provided our net cash provided by changes in our operating assets and liabilities, which is primarily attributable to unearned premiums, losses and loss adjustment expenses reserves and reinsurance premiums payable which outpaced the growth of premiums receivable, reinsurance recoverable and prepaid reinsurance premiums. The increase in cash used in operating activities for the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily due to volume and timing of payments driven by growth in our policies in force as well as tender offer and SAFE fair value adjustment expense.

Net cash used in investing activities for the six months ended June 30, 2020 was $99.3 million compared to $45.6 million of net cash used in investing activities for the six months ended June 30, 2019. The increase was primarily due to an increase in the purchases of corporate debt securities, commercial mortgage-backed securities, residential mortgage-backed securities, and other debt obligations and lower proceeds received from the maturity of our debt securities for the six months ended June 30, 2020 compared to six months ended June 30, 2019.

Net cash used in investing activities for the year ended December 31, 2019 was $114.0 million compared to $20.6 million of net cash used in investing activities in 2018. The increase was primarily due to an increase in the purchases of corporate debt securities, commercial mortgage-backed securities, and other debt obligations. This was partially offset by higher proceeds received from the maturity of our debt securities in 2019 compared to 2018.

Net cash used in financing activities for the six months ended June 30, 2020 was $13.0 million, primarily due to partial repayment of Term Loan A. Net cash provided by financing activities for the six months ended June 30, 2019 was $92.7 million primarily due to the proceeds from our Term Loan A and SAFE agreements, which was partially offset by the repayment of letter of credit and notes payable.

Net cash provided by financing activities for the year ended December 31, 2019 was $535.5 million compared to $150.9 million of net cash provided by financing activities in 2018. The increase in cash provided by financing activities was primarily due to the issuance of our Series E preferred shares and the proceeds from our Term Loan A and Term Loan B agreements, including amending our existing term loan that increased our borrowings, during 2019.

**Contractual Obligations**

The following is a summary of material contractual obligations and commitments as of December 31, 2019:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-3 Years | 3-5 Years | After 5 Years |
| | | | (in millions) | | |
| Long-term debt | $ 199.5 | $ 99.5 | $ — | $ 100.0 | $ — |
| Interest on long-term debt[1] | 55.1 | 3.4 | — | 51.7 | — |
| Operating leases | 16.3 | 3.3 | 6.4 | 6.2 | 0.4 |
| Purchase commitments | 4.4 | 2.3 | 2.1 | — | — |
| Total | $ 275.3 | $ 108.5 | $ 8.5 | $ 157.9 | $ 0.4 |

(1) We have the option to PIK interest on Term Loan B for up to three years, or the PIK Period from the date of closing. Through the year-ended December 31, 2019, we have elected to PIK interest on Term Loan B and we plan to PIK interest for the full PIK Period. See Note 8, Long-Term Debt, to the consolidated financial statements included elsewhere in this prospectus.

As of June 30, 2020, and subsequent to December 31, 2019, we executed a material operating lease with the following payments due: $0.2 million over the remaining six months in 2020, $2.0 million in 2021-2022, $2.5 million in 2023-2024, and $4.0 million in 2025 and beyond.

**Financing Arrangements**

On April 17, 2019, we closed on a $65.0 million term loan, or Term Loan A, to a group of syndicated financial institutions including SunTrust Bank (now known as Truist Bank), Huntington National Bank, Silicon Valley Bank,

or, collectively, the Lenders. The maturity of Term Loan A is October 16, 2020. Interest is paid monthly and is determined on a floating interest rate calculated on the 1-month LIBOR plus an applicable margin of 4%.

On June 26, 2019, we finalized an incremental term loan joinder agreement of $35.0 million to upsize Term Loan A with an additional lender (Western Alliance Bank) to bring the total Term Loan A principal balance to $100 million.

On November 25, 2019, we entered into an amended and restated Term Loan A in conjunction with an additional closing on a note purchase agreement of $100.0 million, or Term Loan B, with Centerbridge Partners, L.P., a private equity investor, or collectively our term loans. The maturity of Term Loan B is November 25, 2024. Interest is determined on a floating interest rate calculated on the 3-month LIBOR plus an applicable margin of 7%. In the event LIBOR is no longer available to the market, we will enter into an amended agreement, in accordance with the current agreement's terms, to reflect the alternate rate of interest based on this successor rate. We have the option to pay interest in-kind, or PIK, on Term Loan B for up to 3 years, or the PIK Period, from the date of closing. PIK interest will be added to the principal balance every 3 months until the end of the PIK Period, and interest will subsequently be paid quarterly. Through the year ended December 31, 2019, we have elected to PIK interest on Term Loan B. As a part of closing of Term Loan B, we issued warrants to purchase 2.8 million shares of our common stock with a strike price of $0.0001 per share and an expiration date of November 25, 2026. These warrants are classified as liabilities, within long-term debt on the consolidated balance sheets, because they may be settled with a variable number of our shares. The nature of these variable warrants is such that the Term Loan B and warrants holder will earn a rate of return between 20% to 30%. Accordingly, the warrants contract does not limit the number of shares that we could be required to issue. The fair value of these options as of December 31, 2019 was $7.2499 per share. Interest expense of $0.4 million related to the warrants was recognized during the year-ended December 31, 2019 on the consolidated statements of operations and comprehensive loss. The debt discount associated with these warrants, net of accumulated amortization and issuance costs, as of December 31, 2019 is approximately $19.5 million presented as long-term debt and warrants on the consolidated balance sheets.

In connection with the amended and restated Term Loan A on November 25, 2019, Silicon Valley Bank exited the Term Loan A syndication and their $24.9 million of outstanding debt was reallocated to two of the existing holders of Term Loan A on a pro rata basis. This required us to escrow $24.9 million of cash for a potential pay down of the corresponding debt. The cash in escrow is reflected as restricted cash on the consolidated balance sheets as of December 31, 2019. In February 2020, we amended Term Loan A to add a new financial institution (Goldman Sachs Lending Partners LLC) to the syndicate in the amount of $12.5 million. Accordingly, $12.4 million of the $24.9 million escrowed funds was remitted to us and the other $12.5 million was remitted to the two aforementioned existing holders to pay down the pro rata portion of the reallocated Term Loan A.

In September 2020, we amended Term Loan A to add financial institutions (Barclays, Deutsche Bank, Morgan Stanley and Wells Fargo) to the syndication, upsize the outstanding facility by $13.5 million, and extend its maturity to October 15, 2021. We also opened a $100 million revolving line of credit with members of the Term Loan A syndication.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, results of operations, liquidity or cash flows.

**Critical Accounting Policies and Estimates**

Our financial statements are prepared in accordance with GAAP. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires our management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. We evaluate our significant estimates on an ongoing basis, including, but not limited to, estimates related to reserves for loss and loss adjustment expense, premium write-offs, share-based compensation, and valuation allowance on our deferred tax asset. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the

circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

We believe that the accounting policies described below involve a significant degree of judgment and complexity. Accordingly, we believe these are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations. For further information, see Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements included elsewhere in this prospectus.

**Loss and LAE Reserves**

Loss and LAE reserves represent management's best estimate of the ultimate liability for all reported and unreported claims that occurred prior to the end of each accounting period but have not yet been paid. These reserves are established to cover the estimated ultimate cost to settle insured losses. Loss and LAE reserves include an amount determined using adjuster determined case-base estimates for reported claims and on actuarial unpaid claim estimates using past experience and historical emergence patterns for unreported loss and LAE. Case reserve amounts are determined by claims adjusters following our case reserving practices, which consider the circumstances presented with each claimant, applicable policy provisions, and state law. The unpaid claim estimates consider loss cost trends, mix of business, and other risk factors impacting claims settlement. The methods used to estimate ultimate loss reserves by accident month include reported loss development, paid loss development, expected loss ratio, or ELR, frequency-severity, premium based Bornhuetter/Ferguson, or B/F, and exposure based B/F using frequency-severity. The method used to estimate unpaid LAE reserves is determined by a transaction-based allocation method where historical claim department activities are measured by their relative effort or cost for handling different claim types. Our estimation for unpaid LAE reserves includes the ultimate cost of settling a range of claim types from express material damage claims to more complex bodily injury cases.

The evaluation and estimation of ultimate losses and LAE requires considerable judgment in understanding how claims mature, how claims differ between lines of business, and how changes in the business impact claims settlement over time. Loss reserves represent a liability estimate at a given point in time based on many input variables including historical and statistical information, inflation, contract interpretation, weather catastrophe impacts, regulatory environment, and economic conditions. While we consider many inputs into the loss reserve valuation process, as well as several actuarial methodologies, there is no single method for determining the exact ultimate claims liability. In many cases, we use multiple estimation methods based on the particular facts and circumstances of the claims and liabilities being evaluated, resulting in a range of reasonable estimates for reserves for losses and LAE. We do not discount reserves.

Our actuarial reserving team performs monthly reviews of the claims experience and loss emergence to support our estimation of ultimate losses and LAE. A few considerations and assumptions in estimating ultimate claim liabilities includes relative case reserve adequacy over time, claims cycle time, claims settlement practices, exposure growth, actuarial projections, current economic conditions, driving patterns observed from telematics, weather catastrophes, and claim litigation. Our loss reserves can be grouped by claim type, where amounts related to material damage of vehicles and property tend to settle within 6 to 12 months, while claims that involve injuries or personal liability have a much longer time period between the occurrence of a loss and the settlement of the claim. In general, the longer the time span between the incidence of a loss and the settlement of the claim, the more the ultimate settlement amount can vary.

Because actual experience can differ from key assumptions used in establishing reserves, there is potential for significant variation in the development of loss reserves. There is considerable uncertainty associated with the actuarial estimates, and therefore the actual losses and LAE paid in the future may differ materially from the reserves we have recorded. Our loss estimates are continually reviewed by management and adjusted as necessary; with adjustments included in the period determined.

The key assumptions that materially affect the estimate of the reserves for loss and LAE are as follows:

- Many of the actuarial estimation methods assume that the speed of claim payments and claim closures, also known as cycle time, remains relatively consistent over time. While fluctuations and improvements in

cycle time are expected as we grow, these timing changes can be difficult to discern from normal process risk variability in the data.

- For actuarial methods that rely on case reserve data, there is an implicit assumption that the adequacy of case reserve estimates stays relatively constant over time. For example, if the held case reserves represent the 50th percentile outcome for each claim, then any changes to this case reserve level, either higher or lower, would impact the ultimate loss estimates.
- Actuarial methods that rely on exposure bases, such as premiums or car years, perform better when the mix of business is relatively stable over time. Rapid business growth can change the mix of business across several dimensions: new business versus renewal, geography profile, and underwriting profile. As such, prior estimates of claim frequency, claim severity, or loss ratio may not be as predictive of future results when the mix of business changes.
- Broader macro level economics can have a material impact on loss reserve estimates, such as a rapid change in miles driven as was observed with COVID-19; unanticipated inflation, regulatory restrictions, and legal developments as they relate to contract and coverage interpretation and enforceability.

Due to the inherent uncertainty in determining our ultimate cost of settling claims, we evaluate what the potential impact on consolidated results of operations, financial position, and liquidity would be based on a hypothetical 5% and 10% increase or decrease in key assumptions described above. The loss reserve range noted below represents a range of reasonably likely reserves, not a range of all possible reserves. Therefore, the ultimate losses could reach levels corresponding to reserve amounts outside of the range provided. Given our growth from inception in 2015, we believe evaluating sensitivity based on a hypothetical increase or decrease of 5% and 10% is reflective of management's best estimate and provides a conservative range of variability in key assumptions. The below tables present this sensitivity analysis:

| | Scenarios for Changes in Bodily Injury Claim Severity for all Accident Years | | | | |
|---|---|---|---|---|---|
| | (10)% | (5)% | —% | 5% | 10% |
| Bodily injury liability | $ 52.5 | $ 55.4 | $ 58.3 | $ 61.3 | $ 64.2 |
| Uninsured and underinsured bodily injury | 13.1 | 13.8 | 14.5 | 15.2 | 16.0 |
| All other coverages | 30.4 | 32.1 | 33.8 | 35.5 | 37.2 |
| Total losses—net of reinsurance | $ 96.0 | $ 101.3 | $ 106.6 | $ 112.0 | $ 117.4 |

Our loss and LAE expense reserves are recorded gross of reinsurance and net of amounts expected to be received from salvage (the amount recovered from the damaged property after the we pay for a total loss) and subrogation (the right to recover payments from third parties).

**Premium Revenue, Fee Income and Related Expenses**

Premiums written are deferred and earned pro rata over the policy period. Unearned premium is established to cover the unexpired portion of premiums written. A premium deficiency is recorded when the sum of expected losses, loss adjustment expenses, unamortized acquisition costs and maintenance costs exceed the recorded unearned premium reserve and anticipated investment income. A premium deficiency reserve is recognized as a reduction of deferred acquisition costs and, if necessary, by accruing an additional liability for the deficiency, with a corresponding charge to operations. We did not record a premium deficiency reserve in 2018 and 2019, respectively.

Premiums receivable represents premiums written but not yet collected. Generally, premiums are collected prior to providing risk coverage, minimizing our exposure to credit risk. Due to a variety of factors, certain premiums billed may not be collected, for which we establish an allowance for doubtful accounts based on an analysis of historical collection experience. Allowance for doubtful accounts was zero and $2.0 million as of December 31, 2018 and 2019 on the consolidated balance sheets. A policy is considered past due on the first day after its due date and policies greater than 90 days past due are written-off. We recognized premium write-offs of $0.3 million and $9.0 million for the periods ended December 31, 2018 and 2019, respectively.

For those policyholders who pay premiums on an installment basis, we charge a flat fee for each installment related to the additional administrative costs associated with processing more frequent billings. We recognize this fee income in the period which we process each installment.

Policy acquisition costs, consisting of premium taxes and certain marketing costs and underwriting expenses, net of ceding commissions, related to the successful acquisition or renewal business, are deferred and amortized over the same period in which the related premiums are earned. Ceding commissions relating to reinsurance agreements are recorded as a reimbursement for both deferrable and non-deferrable acquisition costs. The portion of the ceding commission that is equal to the pro rata share of acquisition costs based on quota share percentage is recorded as an offset to the direct deferred acquisition costs. Any portion of the ceding commission that exceeds the acquisition costs of the business ceded is recorded as a deferred liability and amortized over the same period in which the related premiums are earned.

**Reinsurance**

In the ordinary course of business, we cede a portion of our business written to affiliated and unaffiliated reinsurers to limit the maximum net loss potential arising from large risks and catastrophes. These arrangements, known as treaties, provide for reinsurance coverage on quota-share and excess-of-loss basis. Although the ceding of reinsurance does not discharge us from our primary liability to the policyholder, the insurance company that assumes the coverage assumes the related liability. Amounts recoverable from and payable to reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured business. Reinsurance premiums, commissions and expense reimbursements related to reinsured business are accounted for on a basis consistent with the basis used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums ceded to other companies have been reported as a reduction of premiums earned and are recognized over the remaining policy period based on the reinsurance protection provided. Amounts applicable to reinsurance ceded for unearned premium reserves are reported as a prepaid reinsurance premiums asset in the accompanying consolidated balance sheets and as reduction of unearned premiums in Note 6, “Reinsurance.” Expense allowances received in connection with reinsurance ceded have been accounted for as a reduction of other insurance expense in the consolidated statements of operations and comprehensive loss.

Some of our reinsurance agreements provide for adjustment of commissions or amount of coverage based on loss experience referred to as sliding scale commissions and loss corridors, respectively. We recognize the asset or liability arising from these adjustable features in the period the adjustment, calculated based on experience to-date under the agreement, occurs.

In the event that all or any of the reinsuring companies might be unable to meet their obligations under existing reinsurance agreements, we would be liable for such defaulted amounts. We evaluate and monitor the financial condition associated with our reinsurers in order to minimize our exposure to significant losses from reinsurer insolvencies. We obtain reinsurance from a diverse group of global reinsurers and monitor concentration as well as financial strength ratings of the reinsurers to minimize counterparty credit risk. For our reinsurance partners who are not rated, we require adequate levels of collateral or letters of credit to be available to us in the event of downside scenarios. All reinsurance contracts provide for indemnification against loss or liability relating to insurance risk and have been accounted for as reinsurance.

**Share-based Compensation**

We award share-based compensation, including stock options with only a service condition, stock options with service and performance conditions, and restricted stock, to its officers, directors, employees, and certain advisors through approval from the compensation committee of the board of directors.

Share-based compensation expense is recognized in general and administrative expenses in the consolidated statements of operations and comprehensive loss based on the grant date fair value of the awards. The fair value of stock options is determined on the grant date using the Black-Scholes Merton, or BSM, option-pricing model. The BSM option pricing model requires inputs based on certain subjective assumptions, including the expected stock price volatility, the expected term of the options, the risk-free interest rate for a period that approximates the expected term of the option and our expected dividend yield. The fair value of restricted stock is determined by the

grant date 409A valuation of our common shares. Stock options are exercisable for a period up to ten years from the grant date. We recognize forfeitures as they occur.

Stock options with only a service condition generally vest over four years — 25% cliff vests after one year and approximately 2% vests each month over three years thereafter. Stock options with service and performance conditions generally vest over a four-year period assuming achievement of the performance conditions. The compensation expense associated with non-vested stock options that have performance conditions is dependent on our periodic assessment of the probability of the performance conditions being achieved. If deemed probable, we recognize compensation expense on a straight-line basis over the requisite service period. If a performance condition is no longer probable of achievement, any previously recognized compensation expense is reversed and no subsequent compensation expense is recognized until achievement is once again probable, at which point a cumulative catch-up is recognized — for additional information refer to Note 11, Share-Based Compensation, to the consolidated financial statements included elsewhere in this prospectus.

The fair value of common stock underlying the options has historically been determined by our board of directors, with input from management, and considering third-party valuations of our common stock. Because there has been no public market for our common stock, our board of directors has determined its fair value at the time of grant of the option by considering a number of objective and subjective factors, including financing investment rounds, operating and financial performance, the lack of liquidity of share capital and general and industry specific economic outlook, among other factors. The fair value of the underlying common stock will be determined by our board of directors until such time as our common stock is listed on an established stock exchange. Our board of directors determined the fair value of common stock based on valuations performed using the Option Pricing Method and the Probability Weighted Expected Return Method subject to relevant facts and circumstances.

**New Accounting Pronouncements**

See Note 2, Summary of Significant Accounting Policies, to the consolidated financial statements included elsewhere in this prospectus.

**Election Under the Jumpstart Our Business Startups Act of 2012**

We currently qualify as an “emerging growth company” under the JOBS Act. Accordingly, we are provided the option to adopt new or revised accounting guidance either (1) within the same periods as those otherwise applicable to non-emerging growth companies or (2) within the same time periods as private companies.

We have elected to adopt new or revised accounting guidance within the same time period as private companies, unless, as indicated below, management determines it is preferable to take advantage of early adoption provisions offered within the applicable guidance. Our utilization of these transition periods may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the transition periods afforded under the JOBS Act.

**Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to certain credit and interest rate risks as part of our ongoing business operations.

**Credit Risk**

We are exposed to credit risk on our investment portfolio and our reinsurance contracts. We manage the exposure to credit risk in our U.S. Treasury securities, municipal securities, corporate debt securities, residential mortgage-backed securities, commercial mortgage-backed securities, and other debt obligations portfolio by investing in high quality securities and diversifying our holdings. We manage the exposure to credit risk in our reinsurance contracts by obtaining reinsurance from a diverse group of reinsurers and monitoring concentration as well as financial strength ratings of the reinsurers to minimize counterparty credit risk. Additionally, all reinsurance contracts provide for indemnification against loss or liability relating to insurance risk and have been accounted for as reinsurance.

We monitor our investment portfolio to ensure that credit risk does not exceed prudent levels. The majority of our investment portfolio is invested in high credit quality, investment grade fixed maturity securities. As of December 31, 2019, none of our fixed maturity portfolio was unrated or rated below investment grade.

**Interest Rate Risk**

Our variable-rate debt obligations incur interest at floating rates based on changes in the London Inter-Bank Offered Rate, or LIBOR. A 1% increase in LIBOR would not have significantly impacted interest expense during 2019.

## FOUNDER'S LETTER

The Root story began in my childhood. I grew up in an insurance household, and unlike other kids who might have had a paper route, I began working at my father's insurance company at the age of 14. Simply put, I fell in love with the industry and its innately noble mission of being there to support people on what very well could be the worst day of their life. It was also immensely fascinating to me — so mathematically complex and data driven, yet so ingrained in our everyday lives.

Through becoming an actuary and working at some of the largest insurers in the country, I was able to understand the frustrations that most consumers have with their auto insurer. While the noble mission still rang true, I quickly became disenchanted with how the industry prioritized resources and which issues it sought to solve. I wanted to utilize technology and data science to solve some of the most challenging "big data" questions out there and fundamentally change the way that auto insurance was underwritten. I wanted to create truly differentiated products, where pricing was based on causality and fairness, not correlations and demographics. Instead, I found an industry that was sleepy, resistant to change and comfortable resting on its laurels. Rather than focusing on innovation, the industry was content with spending billions of dollars a year on branding in an attempt to differentiate its otherwise commoditized products. That is when I knew it was time to leave.

When I met Dan Manges, my co-founder, it was clear that his technical background and track record of disrupting industries would be a perfect fit with my fervor and industry expertise. We were aligned on a mission, and in 2015 Root was born, based on the belief that machine learning and modern technology could fundamentally revolutionize the insurance industry while delivering a vastly superior consumer value proposition and experience.

With $266 billion in annual premiums, the U.S. auto insurance sector is an enormous market. The product is a government-mandated purchase for the vast majority of drivers. Nevertheless, the pricing of auto insurance reflects little to do with how consumers actually behave behind the wheel. Consumers have little to no control over their auto insurance -- their policies are often priced on stale demographic information that is hard or impossible to change, such as age, gender, marital status or education. It is also an industry where historically lower-risk good drivers are systematically overcharged to subsidize losses that emanate from the higher-risk worse drivers. There is a fundamental element of unfairness inherent to the traditional insurance industry. Consumers deserve better, and we believe technology and data science are the keys to unlocking the products that will enable that change.

While technology has radically changed our lives, in many ways the insurance industry still operates as it did a century ago. The industry continues to principally rely on archaic variables that do not measure driving behavior and are unfair to consumers. Further, it has not awakened to the reality that consumers are walking around with supercomputers (smartphones) in their pockets that can offer a deluge of individualized driving data on a daily basis. As data and predictive analytics are the foundation of insurance, we think the industry is in a prime position to be disrupted by an innovator, and we believe Root will be the one to do it.

In the five years since founding Root, we have developed what we believe to be industry-leading, and highly proprietary, telematics and data science capabilities. Further, we believe we are the only insurer in the industry that is scaling these capabilities across our book of business. We put consumers in control by pricing their insurance policies based on their driving behavior, not their demographics. In short, we leverage consumer data to provide better consumer experiences at better prices.

I am continually asked why the rest of the industry isn't focused on implementing something similar. The answer is simple: it is extremely hard to build and even harder to integrate with legacy systems. The algorithms that assess the data and draw conclusions about driving behavior and risk of loss take years to develop, significant investments, as well as data science expertise. Additionally, the incumbents face a classic "innovator's dilemma." If an industry incumbent sought to implement telematics-based pricing across its customer base, it risks large-scale lapses as customers react to price changes. For them, this risk of cannibalization simply outweighs the benefits.

We are still in the very early days of Root. As we look to the future, we believe the opportunity in front of us is massive and that we have the opportunity to create a historic, market-defining company.

In the pages of the offering document that follow, you will learn about Root's strategy and growth. I want to take a moment to highlight how Root operates. We understand that investment opportunities come in lots of shapes and sizes, and we hope the below will help you assess if we are the right fit for you.

- We prioritize growth because our business enjoys the network effects of big data and scale. These items (growth, scale, and data) turn our flywheel and unlock the full potential of our business model. More data allows us to deploy even more advanced algorithms, which continue to allow us to differentiate our product from the market while becoming an even better underwriter. As we grow, we expect our operational scale will realize economies of scale and grow margins.

- We focus entirely on the long-term trajectory of Root and do not manage the business to quarterly earnings. The opportunity in front of us is massive and will create new market leaders. To ensure Root wins, we believe we have to focus on building the company over the long term. Given the choice between increasing enterprise value over the long-term or prioritizing near-term earnings, we choose the former every time.

- We will consistently take big bets on new products, customers, and technology. These bets will strategically serve customer demand or capitalize on an existing asset that gives Root a lasting competitive advantage. There will be a cost to these bets, and we do not expect all to succeed. We believe this mentality will provide shareholders with the highest level of return on investment over the long-term.

- Our culture is driven by our unrelenting drive to win. We are scrappy, gritty, and determined. Our organizational structure allows us to remain as nimble as a start-up while we scale and grow and push ownership of decision-making down as far into the organization as possible. This drives our organizational velocity - something we see as a key competitive asset.

We believe Root is well positioned to win. We are in an enormous market, where natural momentum in technology and data drives our business to improve every day. While we believe we have the best customer experience in the industry, we go to work each and every morning uniquely focused on the fact that, **right now, today, our product is the worst it's ever going to be**. Every piece of data improves our pricing ability. Every customer who uses our app or website delivers valuable insights to make it better for the next customer. This is almost unheard of in the insurance industry, and we believe this makes Root a particularly compelling opportunity.

As you will read, we have our sights firmly set on expanding our business in multiple ways. Very few companies have both the opportunity to grow quickly in such identifiably large markets while having such innate forces driving improvements to the business model every day. As we continue to focus on the long term, we believe this will lead to Root becoming an industry-defining organization that is built to last.

We invite you to join us on our journey.

# BUSINESS

## Overview

Root is a technology company revolutionizing personal insurance with a pricing model based upon fairness and a modern customer experience.

We have built a company that recognizes each individual is unique and puts customers in control, rewarding them for their actions. For centuries, traditional insurance companies have grouped people into risk pools and long relied on the 'law of large numbers' to produce acceptable pricing on an aggregate basis. Fairness at the individual level has been largely ignored. Root is different—we use technology to measure risk based on individual performance, prioritizing fairness to the customer. The way we design and deliver insurance is not a simple tweak to the traditional insurance model—we are fundamentally reinventing insurance through technology, data science and a maniacal focus on the customer. While our opportunity is expansive and our ambition is global, our story begins with U.S. auto insurance.

We believe the $266 billion U.S. auto insurance market is ripe for disruption. Traditional methods of pooled risk assessment are not personalized and inherently less precise given individual behavioral data is underutilized or not measured as a component of the insurance risk assessment process. Systems and processes are typically old and we believe they are disconnected from the needs of consumers. Insurance agents are the primary form of distribution for traditional insurance and generally require expensive selling commissions, which increases the overall cost to the consumer. Our initial focus on auto insurance was motivated by how well-suited we believe the product to be for fundamental improvement through technology. We believe Root is the innovator to drive this transformation.

Auto insurance is required for the vast majority of drivers in the United States and we believe it is typically the first insurance policy purchased by consumers. As a result, our auto-first strategy establishes the foundation for an expansive lifetime relationship with the opportunity to add other personal insurance lines as customer needs evolve. Our strategy has also established the technological foundation for an enterprise software offering, diversifying our revenue streams over time.

The Root advantage is derived from our unique ability to segment individual risk based on complex behavioral data, a customer experience built for ease of use and a product offering made possible with our full-stack insurance structure:

- ***Behavioral Data and Proprietary Telematics.*** Our reinvention of auto insurance is made possible by the transparent collection and analysis of driving performance, which we believe is the most powerful predictor of accidents and the leading variable in our underwriting model. By collecting and synthesizing massive amounts of rich, sensory behavioral data across thousands of driving variables, including distracted driving, we strive to price based more on causality than correlation. This allows us to price our customers' policies more fairly—and in turn they pay premiums commensurate with their individual risk profile. While the notion of telematics has been around for decades, only recently has mobile technology made the concept adoptable at large scale.

  Today, we believe we are the only P&C insurance carrier with a scaled proprietary telematics solution designed to price an entire book of business. We believe we have the largest proprietary data set of miles driven, driving behavior and associated claims experience in the market. This data advantage, matching driving performance to actual claims, provides proprietary insight around accident causality, which enables us to uniquely segment risk, make smarter pricing decisions and grow our business rapidly and deliberately.

- ***Root Customer Experience.*** Our mobile-first customer experience is designed to make insurance simple. Our customers can on-board through their mobile phone in as little as 47 seconds, without touching their keyboard. Customers start by simply scanning their license in our app, answering a few questions and taking their phone with them while they drive for two to four weeks, or the test drive—with no additional hardware or dongle required. Our customers can manage policy adjustments digitally, including through intelligent chat functions. In the event of an accident, claims can be adjudicated digitally, with many repairable claims resolved and paid within 24 hours.

- ***Full-Stack Insurance Structure.*** We are a full-stack insurance carrier, which affords us complete autonomy with regards to the capabilities and features differentiating our product as well as our pace of innovation. We own and control nearly every aspect of policy design, origination, underwriting, claims and back-end processing, which enables us to iterate constantly and move quickly devoid of major third-party dependencies and inefficiencies. Additionally, we have the flexibility to adjust our use of reinsurance in response to market conditions, optimizing to a "capital-light" business model. We are licensed in 36 states, and our goal is to be licensed in all 50 states by early 2021.

Our core data capabilities underpin a business model characterized by an incredibly powerful—and accelerating —flywheel. The data we collect feeds proprietary risk scoring models that assist us in identifying what we believe to be the riskiest 10 - 15% of drivers on the road, a group we have elected not to quote thus avoiding a risk segment that is up to two times more likely to get in an accident than our average targeted customer. Instead, we strive to quote the remaining population fairly, often at a lower price than competitors, and build a more attractive book of business that then contributes even more data to our flywheel. Meanwhile we believe that traditional auto insurance companies who continue to use pooled-risk underwriting without broad implementation of telematics will be less competitive for lower-risk drivers allowing us to continue acquiring and converting this customer segment and winning market share, while leaving higher-risk drivers with competitors.

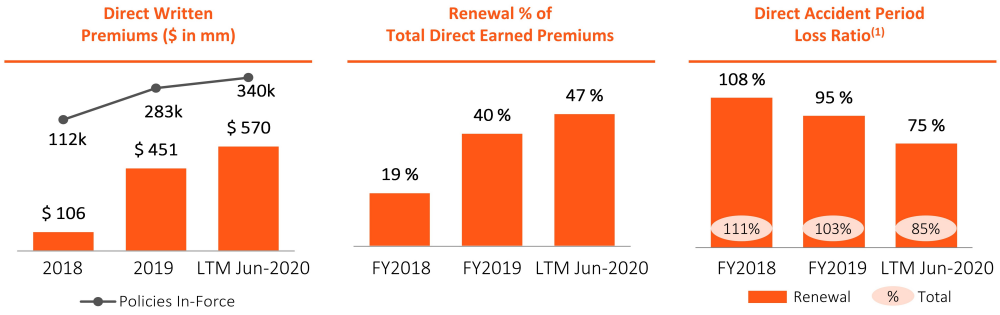
Growth is the key to unlocking the power of our total addressable opportunity. We believe the first player to reach scale with innovative data and machine-learning technology will have a profound risk segmentation and cost advantage, disproportionately taking market share. Competitors would face significant challenges to injecting an approach similar to ours into a traditional insurance model, absent a ground-up technology rebuild and years of data collection. This is the essence of the structural moat that we believe has enabled us to become a leader in this race for data-driven scale in the insurance industry.

We also have a distribution advantage as customer preferences continue migrating to direct channels, in particular mobile, where we acquire over 75% of our customers. We execute a combination of targeted digital marketing with companies such as Facebook and Google and an incredibly efficient, API-enabled partnership channel with deep integrations into captive audiences. Within digital marketing, we use data science models to dynamically bid on the basis of expected lifetime value. Over time we believe the ongoing data we accumulate through growth will fuel a pricing advantage for target customers, driving improved conversion and a cost of acquisition advantage in all channels.

Our model is different from that of a traditional insurance company. We are high growth with a tangible distribution and cost-to-serve advantage. Our claims management expenses, as represented by our LAE, are in line with peers within only two years of bringing claims management in-house and we have room to improve as we further embed machine learning into our processes. We are realizing operating efficiencies as we scale against our fixed expense base. Our customer relationships are extending as retention grows and the cross-sell of homeowners and renters insurance accelerates. Finally, we have a "capital-light" capital management strategy that prioritizes growth, sources efficient capital to support customer acquisition costs and utilizes risk mitigation tools to reduce exposure to tail events.

Over time we expect that our book of business will naturally mature as renewal premiums outweigh new premiums, driving profitability. Renewal premiums are characterized by lower loss ratios, and our accident period renewal loss ratio was significantly lower than our new business accident year loss ratio for the trailing 12-month period ended June 30, 2020. As our renewal premium base expands from 47% as of June 30, 2020 to align over time

with an industry average of approximately 80%, we expect our direct loss ratios will fall sharply as will our marketing costs as a percent of total premium.




(1) Direct accident period loss ratio represents all losses and claims expected to arise from insured events that occurred during the period, regardless of when they are reported and finally settled. We also monitor our direct loss ratio. Changes to our loss reserves are the primary driver of the difference between our direct accident period loss ratio and direct loss ratio. For additional information regarding direct loss ratio, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Key Performance Indicators."

Our DWP grew from $106.4 million in 2018 to $451.1 million in 2019. For the six months ended June 30, 2020, our DWP was $306.5 million. Our revenue was $43.3 million and $290.2 million in 2018 and 2019, respectively, and our net losses were $69.1 million and $282.4 million, respectively. For the six months ended June 30, 2020, our revenue was $245.4 million and our net loss was $144.5 million. See the section titled “Management's Discussion and Analysis of Financial Condition and Results of Operations — Components of Our Results of Operations”.

**Our Industry**

Insurance is one of the oldest and largest markets in the world, touching every corner of the world and protecting our most important assets. Global P&C insurance premiums amount to $2 trillion annually.

Our primary addressable market today is U.S. personal lines insurance. This market exceeded $370 billion in 2019 premiums and has grown at a 5% CAGR since 2014.

Over the past century, there have been only a few waves of innovative disruption within insurance. Perhaps the most disruptive was the advent of the internet as a distribution channel in the late 1990s which redefined the personal auto insurance market. We believe the rise of digital distribution is the primary driver of the $50 billion market share shift that has accrued to direct models over the last 20 years.

We believe the next technology-driven structural shift is underway—and this time the shift is not just distribution-related but a holistic change in the way insurance is priced and delivered.

- ***The way insurance is priced.*** The opportunity to price customer protection based on individual behavior rather than demographics has been advanced by mobile engagement and advanced data science, including machine learning. We strongly believe that in the future the vast majority of drivers on the road will have an insurance policy priced with telematics, with market leaders defined by their ability to translate data into actionable insights around underwriting and pricing. In this regard, we believe the market is on the verge of a tipping point for which industry incumbents are generally unprepared.
- ***The way insurance is delivered.*** Over the last decade billions of dollars have been spent by venture capitalists and incumbents alike on insurance innovation and technology, yet the insurance experience is essentially the same. The products offered by traditional insurers have not changed much. The majority of premiums remain distributed through agents with extensive forms and in-person interviews and not through digital or mobile channels. Almost every claim is labor intensive.

We believe innovation has been slow within the P&C insurance industry, in part, because legacy systems are difficult to build upon and nearly impossible to replace. Also impacting the pace of innovation is institutional friction generated by the cost and perceived risk of a requisite ground-up technology rebuild, disruption of carrier-agent relationships and the business model implications of replacing broad pool-based pricing. Our proprietary technology and business model allow us to avoid these pain points and aggressively pursue the opportunity to be at the forefront of this structural shift.

***Why We Will Win***

Today, we are at the precipice of a structural market share shift in the P&C insurance industry that we have not seen since the introduction of the internet as a direct distribution channel. We believe we are best positioned to gain disproportionate market share during this disruptive evolution of the insurance industry based on the following:

- ***We are mobile first, today.*** Our ability to drive fair, behavioral pricing depends on mobile. Mobile affords us seamless engagement and transparent data exchange. We do not believe a scaled behavioral-based pricing model is possible without broad mobile engagement.
- ***Our customer value proposition is clear.*** Relating to the customer segments we target, we lead our competition in what we believe are the two most important factors in selecting an insurance provider—price and experience.
- ***We benefit from a powerful flywheel.*** Our data and technology-driven value proposition attracts more customers, producing more data and completing a flywheel that only strengthens our competitive advantages as it turns.
- ***Our technology gives us a head start.*** Individualized, behavior-based pricing is not easy. However, we have what we believe is the largest set of miles tracked with proprietary telematics and associated claims, providing what we believe to be a four-year head start and a critical first mover advantage.

These four ingredients—mobile engagement, a clear value proposition, a powerful flywheel and differentiated technology—underlie what we believe is a massive competitive advantage and a barrier to entry that is insurmountable without an investment of time, resources and expertise akin to what we have invested since our founding. The industry shift towards individual performance-based pricing has begun and we do not expect it will reverse course. According to Willis Towers Watson, 93% of Millennials are willing to share their driving data, citing the ability to control their premiums as among the most important factors; we are prepared to serve them.

**Our Behavioral Data and Proprietary Telematics**

Our data represents one of our most prominent competitive advantages because we can uniquely segment risk. Our technology platform collects vast amounts of data from disparate sources, including telematics and claims, and aggregates this data into an integrated set from which we derive proprietary insights about our customers' driving performance, most importantly around the driving behavior that causes claims. By using telematics, we put our customer in control of their premiums from the start.

***Why Telematics Matters***

Telematics involves a motion capture device that allows the collection and transmission of telemetry data, in our case facilitated by our customers' mobile phones. The technology has only recently been commercialized, with telematics first deployed primarily in fleet management. Today, some personal auto insurers deploy telematics-based programs with varying degrees of success, and no large incumbent has scaled telematics across their portfolio.

Our telematics process begins with data collection, which is then synthesized into a proprietary UBI score, an underwriting variable that we believe is the most powerful among the variables currently used across the industry. A UBI score consists of an ensemble of modeled variables that are influential in determining both underwriting eligibility and pricing.

While there are competing companies that collect data, synthesize behavioral scores, and price risk, we believe we are the only company performing all three functions. This is particularly important as the entire process benefits from fast-paced structural iterations, such as enhancing data collection mechanisms immediately upon observing a statistical trend. Most incumbent carriers in the P&C insurance market utilize third-party telematics service providers for data collection and scoring. That approach not only limits the effectiveness of their segmentation but, combined with legacy technology systems lacking functional flexibility, impedes their ability to iterate. The three elements of our capability, from collection through pricing, are as follows:

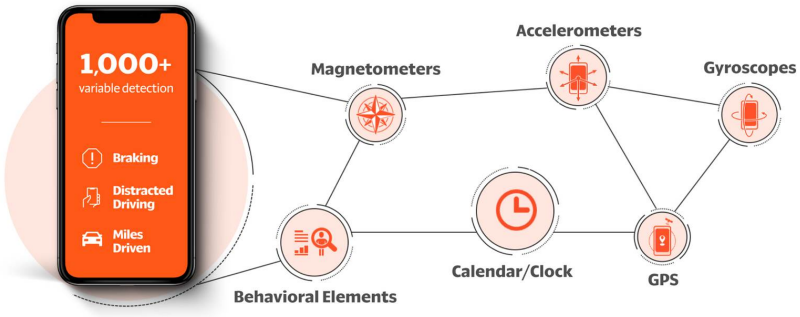
- *Data Collection.* We collect data from the sensors embedded within the customers' iOS or Android device. This includes gyroscopes, magnetometers, accelerometers and GPS. While these sensors were originally embedded within smartphones for non-telematics use cases, they are highly sophisticated and accurate technologies that have proven effective for our purposes when combined with our advanced, proprietary data science capabilities.

  We are currently capable of tracking thousands of behavioral driving variables and detecting a continuum of driving patterns. This includes, for example, hard braking, turning, mileage, consistency of schedule, and distracted driving. Distracted driving is among the most predictive elements of a telematics risk score. We are selective in the volume of data we collect, both in terms of the number of variables and how frequently we record. Data collection has battery life implications and we view it as critical to user experience that we do not apply undue pressure on battery life.

  Many competing telematics programs use OBD2 devices, often referred to as "dongles", which plug into a vehicle's on-board diagnostics, or OBD, port and which we believe are inferior to mobile-based solutions. OBD2 devices capture wheel rotation on a per-second basis and are therefore effective in measuring speed and hard braking, but are otherwise limited in their ability to capture other forms of behavioral data such as distracted driving. Further, deploying OBD2 devices as part of a telematics program involves considerable expense and is a source of customer friction as the device needs to be physically delivered to the customer, properly installed and maintained or replaced over time.

  With customer permission, we continue to monitor driving behavior after the initial underwriting period. The data we collect is used as part of our systematic data science pipeline used to train and retrain our models, continuously improving their predictive power over time. This provides the capability to re-score and re-price at renewal based on behavioral changes, which we are scaling across our renewal portfolio.

  We have a long history of working with various types of devices and expect in the future to extract more data directly from the vehicle, which is why we spend considerable time with original equipment manufacturers, or OEMs, thinking through technological infrastructure and integrations. Today, however, OEM-based telematics data remains unstandardized across manufacturers. Over the long term, data science rather than data aggregation will be the primary differentiator in telematics and we plan to continue to invest in order to maintain our leadership position.



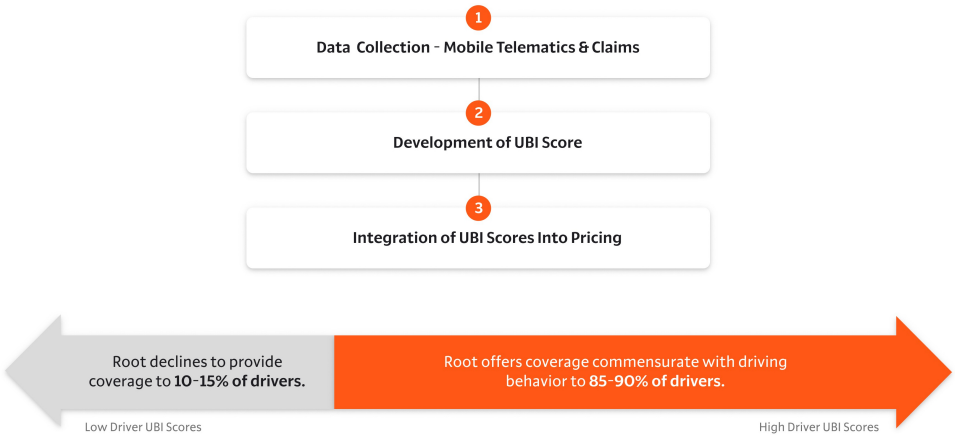
- *Developing UBI Scores.* In developing UBI scores, we first measure and record implied physical events, such as hard braking and distracted driving, from the raw sensor data described above. Driving behavior is then understood from these physical events with signal processing and machine-learning techniques, resulting in a UBI score for subsequent inclusion into our underwriting eligibility and pricing models.

  While OBD2 devices collect clean but limited data, smartphones provide an enriched set of sensor data that is "noisier." We smooth, or "clean", smartphone sensor data with machine-learning techniques, allowing us to aggregate thousands of predictive components into a single telematics risk score. Once merged with actual claims data, we are then able to identify those behavioral factors which are the strongest predictors of future losses. The data science we apply to our data set is highly sophisticated and fully-proprietary.

  Our research process is completely systematic and driven by disciplined quantitative methods that promote reproducibility. Our telematics risk scores are tested on hold-out datasets that the models have never seen, allowing us to evaluate our models in an environment that reflects real-world deployment. This gives us confidence that our risk scores are truly predictive of future losses, and allows us to seamlessly deploy to production with our integrated underlying technology and systems.

  The majority of incumbents are disadvantaged in this regard, as many rely on third party telematics providers who do not have direct access to associated claims. We believe some third-parties train models based on synthetic claims, such as inferred collisions, which is an inherently flawed method that we do not believe is sufficiently representative of real loss experience. Furthermore, because incumbents are typically dependent on disparate systems, including those of third parties, the translation of research and development into production is slow and cumbersome, inhibiting the general pace of innovation.

  Our predictive power improves with each new scoring iteration. Our first score, Root UBI 1.0 built in 2016, was trained on 2 million miles while our most recent model, Root UBI 3.14, has been trained on over 10 billion miles and hundreds of thousands of actual claims. Each successive generation builds upon the prior generation's capabilities with even more data. Constant real-time monitoring of our models allows us to identify and mitigate model decay.




- *Integrating UBI Scores into Pricing.* Translating UBI scores into pricing is a two-step process. First, we utilize UBI scores as the primary factor in assessing underwriting eligibility. We have observed that the riskiest 10 - 15% of drivers, based upon the Root UBI score, are up to two times more likely to get in an accident than our average targeted customer. We make a binary decision not to accept this disproportionally elevated risk group, and the downstream effects of this strategy are dramatic.

Because we do not select the riskiest 10 - 15% of drivers according to our proprietary scoring, our portfolio is not burdened by the outsized losses attributed to this uniquely high-risk segment. This underwriting strategy results in a set of policyholders with significantly lower-average risk so that safer drivers do not need to subsidize the identified high-risk drivers, as is common among incumbents. For this reason, we have a pricing advantage for our targeted customers.

The second step is to aggregate the UBI scores with traditional and state approved rating variables, such as driver age, vehicle age, and other factors, to derive a quote. This is an analytically intensive process which requires, among other adjustments, accounting for correlations between our UBI score and traditional rating variables. For instance, if age and hard braking are correlated, we need to adjust our pricing model when including age as a rating variable. This process of calibrating pricing models for variable correlation is facilitated by our full proprietary research and development pipeline, from data collection to pricing. Carriers that source a UBI score from third parties are limited to layering in pre-defined scores on top of a pre-existing pricing model, which limits its power and effectiveness.

By basing rates on driving behavior, and by sharing feedback during the test drive, we not only price effectively but can, through engagement with our driving score, influence our community of drivers to become safer over time. We believe that maintaining this type of transparent and ongoing engagement with our customers is critical to building a long-term customer relationship. Over time, the predictive power of telematics will be more and more important given the cultural and public policy movement that is currently challenging the ethics and fairness of demographic-based underwriting, and to which regulators have become attuned. In a July 2020 interview, Ray Farmer, president of the NAIC, announced the group was launching a wide-reaching effort to review existing underwriting practices to identify those that may be discriminatory.

One of the premier advantages of telematics data is scalability, particularly in a market regulated state-by-state where permissible underwriting inputs vary. Our telematics capabilities provide us a baseline level of predictive power from which to quickly build and release pricing updates based on observed experience.

***Telematics is the Root of our Data Advantage***

Telematics is the foundation of our data advantage and risk segmentation capabilities for the following reasons:

- *Massive data set.* The Root app analyzes thousands of driving variables and is capable of collecting many data points per second through the driver's mobile device. We have collected data from over 10 billion miles and hundreds of thousands of claims.
- *Predictive power.* We believe driving behavior is the most powerful predictor of losses, and we measure this through telematics. Over time we hope to remove all correlation variables from our pricing model in favor of a purely behavior-based approach, beginning with our initiative announced in August 2020 to remove credit scores from underwriting.
- *Foundation of our flywheel.* Our behavioral data allows us to further refine prices, typically offering our targeted customers quotes below those offered by our competitors, which drives conversion, drawing more customers and providing more data to our platform.
- *Manage loss ratios.* Effectively harnessed, telematics-based pricing models are far more accurate than models built on traditional, demographic-based underwriting variables, enabling us to segment risk and deliver lower loss ratios which we can share with our customers in the form of better prices.

***Integrating Telematics with Claims***

The hallmark of our data advantage is our integrated set of actual claims and associated proprietary telematics, which we believe to be the largest in the market. We match miles tracked, on an individual basis, with actual claims

and identify a set of driving performance factors that cause, or on a relative basis are more likely to cause, accidents. For example:

- Hard braking very often flags a near miss, an accident that almost happened. We have observed over time that drivers who report claims have typically applied hard braking at a greater frequency than drivers with a limited or no claims history. This suggests that a current or prospective customer who, relative to the broader pool of drivers, applies hard braking frequently is more likely to get into an accident and make a claim in the future.
- However, hard braking can be more frequent in an urban setting. We are able to adjust for context, ensuring our customers are not penalized for driving as safely as they can in a given environment.
- We can infer the difference between a Sunday drive and a commute, adjusting accordingly. Certain driving performance is expected if, for instance, a driver is experiencing the route for the first time.

We use an internally developed claims infrastructure to capture comprehensive structured data, contributing to our data advantage when combined with telematics experience and iterated over time. This integrated data set drives a current UBI score that is almost ten times more predictive than an industry-leading UBI provider according to Milliman.

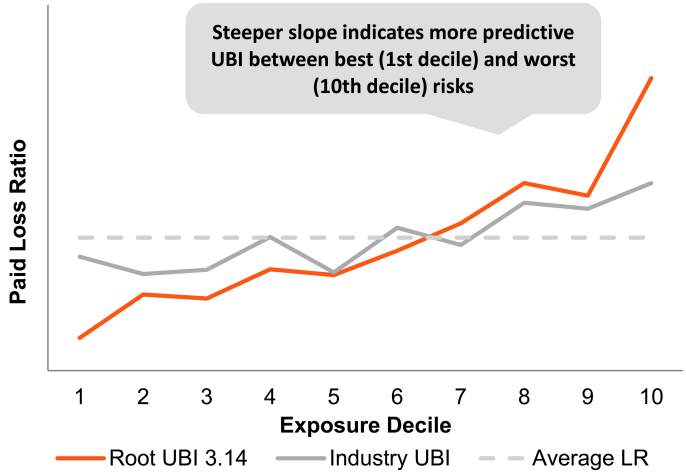
***How our Capabilities Have Evolved***

We launched our insurance in 2016 with UBI scoring performed by a regulator-approved third-party telematics provider while we simultaneously built our own proprietary telematics solution. The third-party base case of predictive power underperformed our expectations but provided a reference point from which we measure our own scoring solution that now extends to the third generation of our UBI score, Root UBI 3.14. Each generation has represented a step change in predictive accuracy:

- *Root UBI 1.0.* Built in 2016 and leveraging 100,000 trips and over 2 million miles but without explicit claims integration. With GPS-only input data, Root UBI 1.0 had four times the predictive power than did our original third-party solution and represented our first step towards internal pricing models rather than relying on publicly available and approved rate sheets, a pricing strategy referred to as “me too pricing” that is common among new entrants across insurance products.
- *Root UBI 2.0.* Built in 2018 and leveraging 50 million trips, 700 million miles and 3,000 claims. This capability improved upon motion input, such as hard braking, by leveraging accelerometers and gyroscopes.
- *Root UBI 3.14.* Built in 2020, our latest generation delivers almost ten times the predictive power versus our original third-party solution, leveraging over 10 billion miles driven and hundreds of thousands of associated claims. UBI 3.14 was released two quarters after its predecessor Root UBI 3.0, with a fast follow implementation of a new ensemble of models on top of the 3.0 foundation. Milliman assessed the predictive power of Root UBI 3.14 by evaluating the reduction in mean-squared error of predicted loss ratios, a measurement of the quality of a predictive model across an entire distribution.

The lift chart below compares Root UBI 3.14 and our original third-party solution, referenced below as industry UBI. This chart segments drivers into exposure deciles based on the best (1$^{st}$ decile) and worst (10$^{th}$ decile) risks and

shows Root UBI 3.14 is able to better identify the best and worst underwriting risks, as compared to the original third-party solution.




It took us over two and a half years to graduate from our first generation (Root UBI 1.0) to our second generation (Root UBI 2.0) capability. Our most recent graduation, from Root UBI 2.0 to Root UBI 3.14 took less than two years and extended our predictive power to almost ten times our original third-party solution, illustrating the power of our flywheel. As we acquire more customers, aggregate more data and test and add new variables, the pace of improvement in our predictive power capabilities accelerates. We expect our next generation models to include such variables as enhanced distracted driving detection and geospatial enrichment.

**Root Customer Experience**

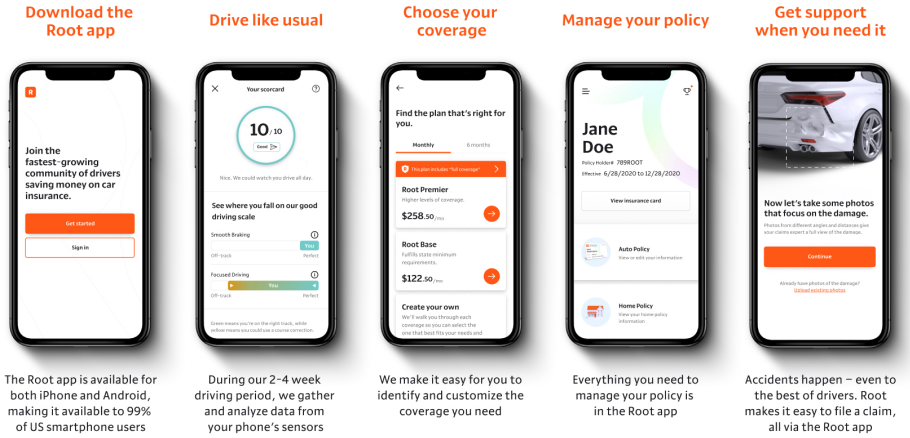
We meet our customers where they are, on their mobile phone, with a user-friendly interface and convenient, efficient experience. This is the mantra that drives our mobile-first engagement strategy and underpins both our user experience and our fundamental business model, notably around data.

Engaging our customers and prospective customers directly through the mobile device gives us access to an underutilized distribution channel, mobile, through which many incumbents have historically had difficulty profitably acquiring customers. Through our hyper-targeted, data-driven and ever-improving performance marketing capabilities, we have been able to acquire customers for below the average cost of doing so through each of the direct and agent-based channels.

A primary reason the mobile channel works for us is that we make it easy from the beginning. App installation and initial engagement is intuitive and customers can easily identify the coverage they need in everyday language, including offering bundling options which clearly lay out associated cost savings.

Mobile devices are also the foundation for collecting telematics data from our customers. Sophisticated technologies such as accelerometers and gyroscopes, originally designed to support gaming functionality on mobile devices, can extract rich sensory data, allowing us to analyze driving behavior in ways not previously possible and to thereby customize pricing. Mobile devices are more technologically advanced than the OBD2 systems used by large incumbents, capturing performance and behavior data beyond hardwired telematics, and, importantly, available to us at no cost.

Our mobile engagement extends across the customer experience and value chain:




- *Engagement.* The vast majority of our new customers come through our digital or partnership channels, which are largely mobile.
- *Profile Creation.* The Root app is available for both iOS and Android operating systems making it available to 99% of U.S. smartphone users. By simply scanning a driver's license a prospective customer can nearly complete a profile, part of an on-boarding process that is possible to complete in as little as 47 seconds and with no keyboard interaction.
- *Underwriting.* The test drive is a key component of the underwriting process. A two-to-four week test drive gathers and analyzes data from smartphone sensors measuring braking, consistency, turning, time of day and other performance and contextual data.
- *Coverage Selection.* As part of profile setup, our app pre-populates with a customer's owned automobiles and existing or prior coverage terms, allowing easy and seamless selection of policy terms.
- *Policy Management*. Once bound, customers can perform all policy management functions seamlessly from our app including profile or coverage adjustments, obtaining proof of insurance or chatting with a bot or human.
- *Claims.* Accidents happen. We make it easy to file a claim and track processing status through to settlement via the app, allowing us to payout claims rapidly.

Auto insurance is a product most people use every day, reinforcing the importance of our mobile-first engagement strategy for both customer experience and data collection.

**Full-Stack Insurance Structure**

We are a full-stack insurance carrier. In substance this means we have the infrastructure to design products, and distribute, underwrite, administer and pay claims on all of our policies. In practice this means we own and control an end-to-end insurance experience and have near complete operating autonomy, subject to regulation, to grow our business.

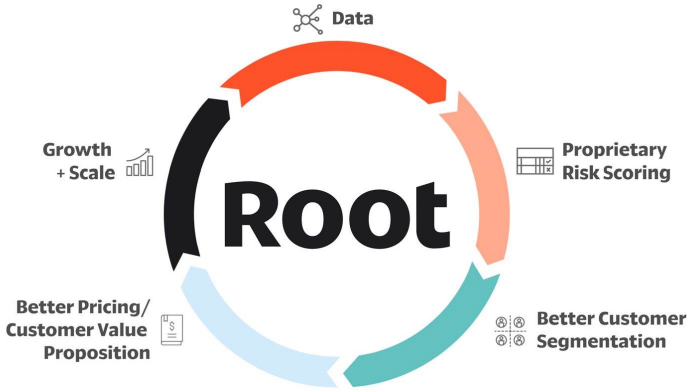
Root is a regulated, full-stack insurance company with a domestic carrier, Root Insurance Company, and a wholly-owned, Cayman Islands-based reinsurer, Root Re.

The Root Insurance Company is licensed in 36 states and currently active in 30. Our active footprint, which excludes California, represents approximately 50% of the U.S. driving population and our goal is to be licensed in every U.S. state by early 2021.

Our full-stack carrier model supported by proprietary technology leaves us virtually unencumbered by third parties across the value chain, provides complete design and feature discretion and frees us to innovate and iterate far faster, we believe, than any of our major competitors. We view this flexibility as absolutely critical to introducing new capabilities, reinforcing customer centricity and driving growth.

In addition to our full-stack structure, we also have a captive insurance agency, RIA. RIA is structured to allow us to offer new products to our customers without developing underwriting capabilities or retaining risk on our balance sheet, which facilitates our "capital-light" model. For example, RIA sells homeowners insurance policies via our mobile app on behalf of Homesite Insurance and earns commission on policies sold with no risk retained.

**Our Powerful Flywheel**




As with many data-enabled businesses, we benefit from a flywheel in that additional data allows us to do our job better and fuels growth. However, in contrast to many other flywheels where growth-generates-data-generates-growth, we believe our flywheel is more powerful in that increased data generates targeted growth and increases the lifetime value of our customers.

Our proprietary UBI scoring models calculate individualized risk-based on our unique analytical capabilities, notably our proprietary data set of miles driven, driving behavior and associated claims experience which we believe is the only such integrated capability in the market.

The data science behind UBI scoring tells us that the riskiest 10 - 15% of drivers are up to two times more likely to get in an accident than our average targeted customer. We act upon this observation in two ways. First, we do not quote this high-risk segment of potential customers. Second, because we are not burdened by the elevated risk and potential losses of this narrow segment, we can offer the most competitive prices for our targeted customers.

The pooled-risk pricing strategy employed by the majority of incumbents takes a more uniform view of risk absent the capability to segment on an individualized basis. First, incumbents generally do not have the technology and infrastructure to collect and synthesize an integrated set of proprietary telematics and claims data. Second, introducing individualized telematics-based pricing across an existing portfolio constructed without telematics would have enormous profitability implications as lower-risk drivers would be re-rated to a meaningful discount, reducing profits, and high-risk drivers would be surcharged which could result in reduced retention.

Through telematics, we are better able to identify low risk drivers and we are therefore able to offer such drivers competitive prices based on this risk, giving us an advantage in acquiring new customers as compared to traditional insurance carriers, winning share from our competitors and growing our business. As we bring more targeted customers onto our platform, we accumulate more data, retraining our models, improving our UBI score and reinforcing our competitive advantages.

Our granular risk segmentation yields strong conversion of customers whose behavioral data indicates lower risk than a market-standard demographic rating alone. However, when a competitor prices a driver based on traditional underwriting variables, for certain risk segments our price will not be the lowest and we will not convert that potential customer. We view this outcome as mispriced risk accruing to a competitor's balance sheet. As our flywheel turns and more mispriced risk converts with our competitors, our competitors are put in a position of having to broadly raise prices to meet profit expectations, improving our conversion.

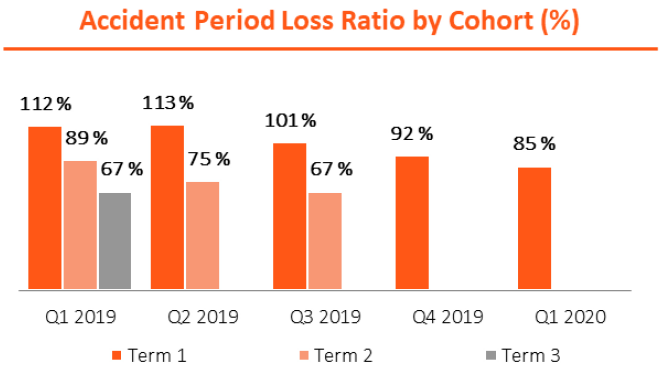
**Our Business Model**

Our model revolves around using integrated data and technology to create a pricing advantage through granular risk segmentation. By mitigating disproportionate risk, we can offer individualized pricing which is lower than competitors for the majority of our target customers. This pricing advantage allows us to efficiently drive rapid, targeted growth and acquire more data as part of a powerful feedback loop.

We efficiently acquire customers through multiple digital channels such as Facebook and Google and highly strategic distribution partnerships with Stash, SoFi and Chime, where we leverage our partners' premier user experiences to approach captive audiences in a contextually relevant, data-centric way. Accordingly, our marketing costs are well below industry averages.

We operate with a cost to serve advantage versus the incumbents. By engaging our customers digitally, with intelligent bots within customer support, self-service within our mobile product, and machine learning within our claims function, we have achieved operating efficiencies aligned with our peers despite our smaller revenue base.

Our model naturally benefits from improvement in loss ratios as first term loss ratios decline and our portfolio matures. As seen in the chart below, for the 2019 and the first quarter of 2020 cohorts, we have observed first term accident period loss ratios declining, which we believe reflects our consistently improving risk segmentation capabilities and the power of our flywheel. Furthermore, renewal premiums, referring to premiums from a customer's second term and beyond, have lower loss ratios as compared to new premiums in the customer's first term. For the cohort of customers underwritten in the first quarter of 2019, we have observed a meaningful decline in accident period loss ratios between the first and third term. As we grow our business, we anticipate, consistent with industry norms, that a greater proportion of our premiums will be from customer renewals without associated marketing costs. Loss ratios in the personal auto insurance industry trended lower with COVID-19 due to reduced driving and resulting accidents, particularly during the second quarter of 2020. While we cannot determine with precision the impact of COVID-19 on our loss ratios experience, we believe that our loss ratios for cohorts that include these months are favorably affected and believe loss ratios may increase in the short term as driving levels return to pre-COVID-19 levels.




Our unit economic model improves as we cross-sell through bundling. We have recently launched both a homeowners and a renters insurance policy. In the states in which we write renters policies, as of June 30, 2020, 5.4% of eligible auto customers elected to bundle a renters policy with an auto policy. Bundling allows us to access the high lifetime value segment of the market preferring a single insurance vendor relationship, while efficiently increasing premiums and expanding retention rates.

Customer retention, which we measure as the percentage of customers that renew a policy from one policy term to the next, is a critical component of our business. As of June 30, 2020, our term one and term two policy retention rates were 84% and 75%, respectively. Our retention rates include customers that retain through the first day of the subsequent term and exclude policies that do not make it through the underwriting period, as defined by state regulators, and rescissions. Adjusting for these customers reduces one and two term policy retention by 33% and 10%, respectively.

**Our Growth Strategy**

We are focused on the following growth strategies to continue penetrating the $266 billion auto insurance market and ultimately the $2 trillion global personal lines market over time:

- ***Execute the Auto Opportunity***
  - *Better, fairer pricing.* We will never stop working to improve our ability to segment risk by increasing the influence of behavioral factors in our underwriting and pricing models. Our primary tool for improvement is to continue applying data science to our powerful flywheel, where each rotation sheds incremental light on the causes of accidents. Over time we hope that we can replace all correlation-related inputs to our pricing model, such as credit scores, with a fully behavioral pricing model. We would view this as the ultimate achievement in customer transparency and fairness, and a uniquely distinguishing competitive advantage.
  - *Grow national auto insurance presence.* We will continue to aggressively invest in domestic growth by becoming active in more states while creating brand awareness through a national marketing campaign.
  - *Enhance marketing efficiency.* We will continue to enhance the efficiency of our marketing spend through better data science and dynamic targeting in our digital channel, as well as greater investment in channel media and expansion of our partnership channel, where we build on the premium mobile and web experiences of contextually relevant partners to access their active customer base.
- ***Accelerate Insurance Product Innovation***
  - *Strengthen value proposition and business model through cross-sell*. We will continue expanding our homeowners and renters insurance footprint. In bundling these products with auto insurance we unlock

the 50% of the market that we believe prefers a bundled offering and was therefore not available to us before. This strategy supports our unit economics by creating additional revenue with no incremental marketing spend. We have also observed that customers with multiple policies retain better than auto-only customers.

- ***Pursue Enterprise and International Expansion***
  - *Invest in enterprise*. We have developed a distinct enterprise offering leveraging our existing technology and capabilities. In March 2020, we launched our first set of enterprise technology products to provide telematics-based data collection and trip tracking and today we have agreements with multiple clients. We will continue investing in and growing this product offering to create a distinct and scalable software-as-a-service recurring revenue stream absent risk retention.
  - *Pursue International*. We will look to expand into the international market, both as a consumer-facing insurer in certain markets and through enterprise software in other markets, enabling select insurance companies with mobile telematics data collection and scoring capabilities.

We may selectively pursue acquisitions to accelerate any of our growth objectives or to improve our competitive positioning within existing and new products.

**Our Products**

***Root Auto***

Auto insurance premiums constitute the majority of our revenue today. We have a single product that varies in the timing of the test drive, with some customers binding after a test drive and other customers binding ahead of a test drive, subject to a subsequent rate adjustment based on telematics. We underwrite our auto insurance policies on a proprietary basis, retaining risk subject to support from our reinsurance agreements.

The Root Insurance Company is licensed in 36 states and currently active in 30. Our active footprint, which excludes California, represents approximately 50% of the U.S. driving population and our goal is to be licensed in every U.S. state by early 2021. In instances where a prospective customer solicits a quote in a state where we do not currently underwrite we retain their contact information with permission and reengage upon state entry.

In April 2020, we entered into a Stock Purchase Agreement, or SPA, to purchase Catlin Indemnity Company, or Catlin, subject to regulatory approvals by the Delaware Department of Insurance, or the Department, for consideration equal to Catlin's aggregate amount of statutory capital, surplus, and investment income at the time of closing, plus approximately $8.2 million. At the time of execution of the SPA, we paid the seller a non-refundable execution deposit of $200,000. We agreed to indemnify the seller for any damages arising from the inaccuracy or breach of our representations, warranties, covenants, and obligations under the SPA, as well as for any post-closing losses from operations or tax obligations by Catlin. We anticipate that the Department will act on this matter no later than November 15, 2020, and we plan to close the acquisition later in 2020. This acquisition will expand our ability to sell personal auto insurance in 48 states and the District of Columbia.

***Root Home***

We launched our homeowners insurance program in May 2020, in partnership with Homesite, to facilitate an auto and home bundle and access the attractive homeowner demographic. We have found homeowners often prefer to bundle, which produces attractive unit economics over time.

In Homesite, we found a partner sharing our commitment to customers. Homesite was one of the first companies to enable customers to purchase home insurance directly online and is a subsidiary of American Family Insurance, the seventh largest homeowners insurer in the U.S. by direct premiums written.

We currently offer homeowners insurance in 13 states, representing 32% of our auto footprint and seek to extend to our entire auto market in the near term.

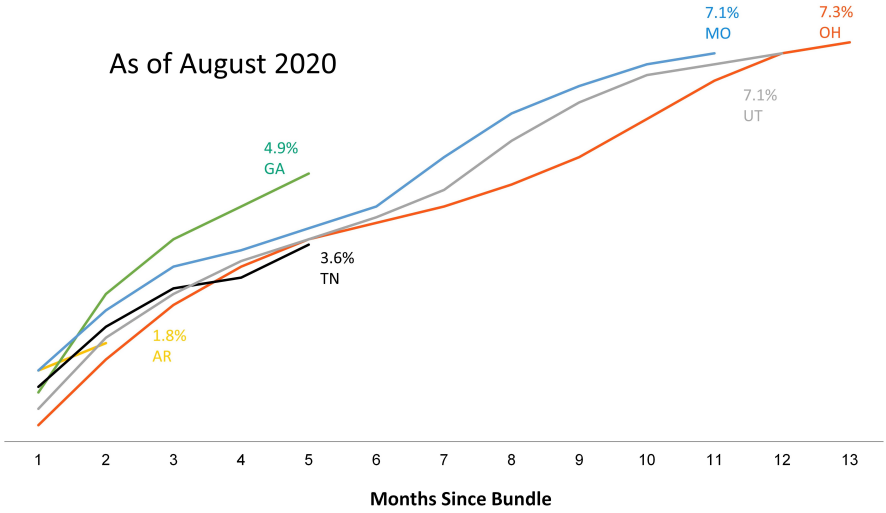
Our homeowners insurance product is seamlessly integrated into our app, providing customers a user-friendly path to purchasing a home policy or bundling home with a pre-existing auto policy. Homesite underwrites and services our home policies, in addition to bearing the associated risk. As such, we earn a commission via our agency on inception and renewal from policies originated through this channel.

***Root Renters***

We launched our renters insurance product in July 2019 primarily to cross-sell to existing customers, enhancing economics with multi-product margins and better retention. Our renters policies cover stolen or damaged property, and also cover personal liability, which protects our customers if they are responsible for an accident or damage to another person or their property.

We underwrite our renters insurance policies on a proprietary basis, retaining risk subject to support from our reinsurance agreements.

We are currently licensed in 14 states in which we write auto policies and are actively underwriting policies in eight states representing 23% of our auto footprint as of June 30, 2020. In the states in which we write renters policies, 5.4% of eligible auto customers elected to bundle a renters policy with an auto policy as of June 30, 2020. This figure consistently grows with each new monthly cohort, as seen below, reflecting the early success in scaling this product:




***Enterprise***

We are commercializing our mobile telematics and technology platform capabilities across an array of industries including personal and commercial auto insurance, fleet management, ride sharing and broader financial services. This takes advantage of technology investment already made to create a SaaS based product with a recurring revenue model, where fees are generated based on the number of vehicles or drivers measured and with no retained risk exposure.

Our first enterprise product, launched in March 2020, includes telematics-based data collection and trip tracking. Today we have signed enterprise agreements with multiple clients.

Our enterprise initiative is supported by a distinct team including sales, product development and engineering, though it largely leverages existing technology infrastructure leading to high incremental margins.

Over time we intend to expand our enterprise product suite to include risk analysis, risk management scoring and vehicle fleet performance management software. We expect these products to further our advantage in mobile telematics, offer revenue diversification in a scalable market and expand our margins over the long term.

**Our Distribution**

We distribute largely through the mobile channel, with over 75% of customers acquired through either our mobile app or mobile web platform. One of the things that excited us most when we launched Root was a recognition that very little insurance was distributed through the mobile channel. Among incumbents many do not support online binding and those who do replicate the long and often tedious application for insurance in a mobile setting. Mobile is the fastest growing retail channel in the United States, as customers spend less time in front of computers and utilize smart phones for more convenient shopping. We therefore designed a mobile-directed customer acquisition strategy, delivering customer acquisition costs below the average cost of doing so through each of the direct and agent channels:

- *Digital.* Our digital channel is designed to drive volume by efficiently capturing high intent customers. We accomplish this by meeting our customers within platforms they use extensively such as Facebook and Google or select marketplace platforms where consumers are actively shopping for insurance. We deploy dynamic data science models to optimize targeting and bidding strategies across our digital platforms aligning customer acquisition cost to expected lifetime value of the potential customer. Today over three-quarters of marketing spend is through digital performance channels.
- *Channel Media.* We build consideration and drive intent through household-level targeted digital media channels such as YouTube and Hulu, as well as more traditional media channels such as billboards, regional TV and radio and direct mail. We utilize these media channels to drive awareness when launching new states and to actively target customers in active states.
- *Partnership.* We build upon the superior mobile and web customer experiences of selected distribution partners such as Carvana, Chime, GasBuddy, SoFi and Stash to reach a captive customer base. Through deep integration we are able to engage prospective customers when contextually relevant in third-party applications and target high value customer segments at a higher marketing efficiency than other channels. We expect increased penetration of this channel over time as we seek to grow partnership relationships offering access to relevant customer bases.
- *Referral.* We encourage our existing customers to spread our value proposition. Our referral channel compensates existing customers who refer new customers who subsequently receive a quote. This channel facilitates community-based growth to those who value our fair and transparent approach to insurance. This is our lowest cost acquisition channel and an important aspect of our ongoing distribution strategy.

The efficiency of our customer acquisition strategy has resulted in a cost of acquisition advantage versus direct and agent channels. While our customer acquisition costs can vary by channel mix, by state or due to seasonality, over the period from August 2018 to August 2020 our average customer acquisition cost was $332. In the near term, as we expand our licensed footprint to 50 states, we will invest in our national brand, which will increase awareness, build credibility and support all four of our distribution channels. Furthermore, we continue to invest in the technology and data science behind our distribution with A/B tests, dynamic bidding models, and rapid updates and iterations, supporting differentiated cost of customer acquisition over the long term.

We believe our partnership strategy is uniquely different from our competitors' "affiliate" distribution strategy. Partnerships are an extension of our customer experience mantra of meeting consumers where they are and simplifying the entire insurance experience. Today, we have more than 20 strategic partners through which consumers can discover Root whether they are investing, managing their finances, looking for additional savings, managing their fuel efficiency, or purchasing a vehicle. Our partners market Root to their consumers, and we leverage technology to build a more seamless experience for discovering Root in third-party applications. We will

continue to scale these partnerships across additional captive audiences and deepen the integration to enable consumers to have a simple “one click to bind”.

***Case Study: Our GasBuddy Partnership***

The GasBuddy partnership is a blend of both an early enterprise product engagement (Root trip tracking) and a distribution partnership. GasBuddy is a travel and navigation app used by millions of drivers in the United States and Canada to save money on gas. The customer base is contextually relevant to Root as they are seeking to manage driving related costs.

GasBuddy’s mobile app has been downloaded nearly 90 million times with approximately 6 million monthly active users. Users actively share location and driving data in a crowdsourced platform to identify cost saving opportunities. Users can opt-in to enable data sharing with the Root Enterprise telematics platform, which measures driving behavior and assists customers in tracking mileage and fuel efficiency.

For Root, the partnership provides access to GasBuddy’s large user base, which we view as high lifetime value based on prior coverage and vehicle ownership characteristics, and an ability to collect additional telematics data. Given this telematics integration, we can offer telematics enabled GasBuddy customers a “one click to bind” experience with an expected differentiated price for target customers.

**Claims**

When we built our claims system from the ground up we began by asking what customers expect from a claims experience. Through market research we came to understand that the single performance indicator with the largest overall effect on customer satisfaction is making the customer feel at ease during the first notice of loss, or FNOL, which we translate into speed and transparency. With this in mind we designed a claims infrastructure to optimize for both speed and risk management. Utilizing our full stack structural advantages we are able to apply technology to highly complex claims challenges. We constantly A/B test and release two back-end updates per day as part of a powerful development cycle.

The claims initiation process begins in-app for 90% of our reported claims. The customer confirms certain policy information, shares details on the incident including whether any bodily injuries occurred and uploads photos with the guidance of the app which directs the customer to specific photo angles that are the most useful.

We immediately begin triaging the claim based on the expected complexity and severity. The claim is then directed to an adjuster with experience in the projected claim evolution.

During the claims process our customers can check on the status of the claim and connect with the adjuster if they so choose. Our average cycle time is 5 days, less than half the industry average of 12 days, with 13% of repairable claims paid within 24 hours for first party physical damage.

Our mobile-first engagement strategy has accustomed our customer base to interacting with us through the mobile app, including within the claims experience. Our customers naturally gravitate to filing and managing claims digitally, consistent with the broader Root experience, whereas many of our competitors have run marketing campaigns and other forms of education to drive utilization of digital filing features, but to date digital filing of claims has not been widespread.

Cycle time improves consumer experience and helps us control loss adjustment costs. Our app based FNOL process enables auto damage appraisers to write estimates from photos, which is less expensive than a field inspection, and we save storage and rental fees due to shorter cycle times.

Our claims adjusters use an internally developed claims workflow which confirms that we capture structured data which contributes to our data advantage when combined with telematics experience and iterated over time. As risk is not only based on the likelihood of an accident but also the circumstances of the accident, we have developed, and continue to invest in, a claims infrastructure designed to capture data that can be effectively integrate into our ensemble of models.

We believe that our customer relationships built on the transparent exchange of data provide a selection benefit with regards to fraud. Specifically, we believe that customers who are willing to share real time information including location and sensor data are less likely to attempt to perpetrate fraud. Even with this positive selection bias we remain vigilant in detecting fraud. We launched a fraud investigation team leveraging telematics data and automatic fraud identification to reduce fraud leakage. Our team utilizes technology and certain third-party data sources such as Carfax to identify and investigate red flags. Over time we will continue to invest in sophisticated accident reconstruction technology. We are also investing in fraud network mapping to identify fraud rings which can include individuals, body shops, medical providers and attorneys.

For the six months ended June 30, 2020, our direct LAE ratio was 9.5%, better than industry average 11.0%. Our advantage is primarily derived from the efficiencies we achieve with a technology-enabled in-house claims team. We are investing heavily in additional technology that will improve the customer experience as well as drive expense efficiencies, including automation.

Historically automation in auto claims has been difficult given the complexity of the process to repair a high value asset as well as address highly complex personal injuries. In 2020 we developed our claims workflow engine, which automates several key steps in the claims process including coverage checks, liability determination, feature opening and dispatching estimate requests. We expect to make meaningful progress towards full automation for lower complexity claims in the near-term and will continue to advance our claims experience through the development of proprietary technology and quick integration of the most advanced third-party technologies.

We manage renters claims through an in-house team and today volumes remain small. Our homeowners claims are managed by our partner, Homesite.

**Capital Management**

Root operates a “capital-light” business model. Our capital management strategy has three core pillars: (1) prioritize revenue and customer growth without a commensurate increase in regulatory capital requirements; (2) source efficient capital to support customer acquisition costs; and (3) mitigate risk of outsized losses or tail events. Together these strategies serve to maximize returns on shareholder capital.

Reinsurance is a cornerstone of our capital management framework. We have multiple strategic business partnerships with leading global reinsurers who offer us reinsurance solutions on both a proportional (i.e., quota share) and non-proportional (i.e., excess of loss or “XOL” coverage) basis for multi-year periods. We also utilize a wholly-owned, Cayman Islands-based reinsurer, Root Re.

***1. Top-Line Growth Without a Commensurate Increase in Regulatory Capital Requirements***

At a high level, as an insurer’s premium base grows, so do its aggregate capital requirements. This phenomenon is commonly known as “capital drag”, and it can be particularly punitive for high growth insurers subject to U.S. regulatory capital requirements. At Root, we utilize a variety of reinsurance solutions, quota share in particular, to manage our net retained premium base within our U.S. statutory entity, Root Insurance Company. This enables us to pursue our top-line growth potential, but manage capital requirements to a more tolerable level as we hold minimal incremental capital against premium we cede to our reinsurance partners.

Net of third-party reinsurance, over the long term we expect this structure to enable us to write at least four dollars of net retained premium for each one dollar of capital held across Root Insurance Company and our wholly-owned, Cayman Islands-based captive reinsurer, Root Re. While our reinsurance activities cede a portion of the profit, we expect the net impact to be highly accretive to us on a return basis as we minimize the amount of shareholder capital required to support our business.

***2. Support of Customer Acquisition Costs***

When we enter into a quota share reinsurance agreement, it is only for a defined period of time that we share profits associated with our customer base. As we own the customer relationship, it is at our discretion what level of customer profit potential we seek to share via reinsurance arrangements.

In exchange for ceded premium, our reinsurance partners provide significant expense relief via a ceding commission, which we use to help defray customer acquisition costs. Over multiple terms, the aggregate ceding commissions we receive on premium attributable to a given customer will pay for a large portion of that customer's initial acquisition costs. In effect, our reinsurance partners are helping to fund our customer acquisition costs as we grow while we retain the customer relationship and net upside associated with that ownership.

***3. Protection from Outsized Losses or Tail Events***

Auto insurance is a stable insurance product with consistent and predictable underwriting results. At the same time, as a growth company with a "capital-light" business model, we believe it is prudent to protect against large or unanticipated losses stemming from tail events. To that end, we have partnered with several leading reinsurers to implement a variety of cost-effective XOL coverage programs.

XOL coverage is a form of reinsurance protection whereby we, as the primary insurer, retain the exposure on a policy, or series of policies, up to a certain level of losses, after which the reinsurers will reimburse us. We provide the reinsurers a premium for this coverage; however, the premium levels are typically only a portion of what we would pay for proportional reinsurance coverage. XOL coverage also helps to reduce our capital needs as the regulatory requirement for such capital is driven by capital factors that the XOL coverage directly alleviates.

Our XOL coverage programs provide us with (i) catastrophe protection, (ii) severity protection, and (iii) frequency / aggregate protection. We purchase catastrophe and severity protection against the entirety of our direct earned premium base from a variety of leading global reinsurers. We purchase frequency / aggregate protection against 100% of our net retained premium base from a reinsurance platform that fully collateralizes its potential obligations to us via funding achieved in the insurance-linked security marketplace. In aggregate, we believe these innovative programs provide us with valuable capital and earnings preservation against remote negative scenarios.

***Quota Share Reinsurance***

Quota share reinsurance is an integral part of our "capital-light" strategy. Under quota share reinsurance we agree to provide a certain percentage of premiums we receive from our customers to the reinsurer in exchange for the reinsurer reimbursing us for approximately the same pro rata percentage of losses. We utilize quota share reinsurance with both third-party reinsurers as well as our wholly-owned Cayman Islands-based reinsurer, Root Re.

***1. Third-party Quota Share Reinsurance:***

Consistent with our targets, as of July 1, 2020, we quota share approximately 70% of direct earned premiums to third-party reinsurers. This reinsurance program utilizes a sequence of inception and maturity dates, and the majority of the ceded premium is covered on a cohort basis for four year durations. As part of this program we also receive ceding commission from our reinsurers, which help to fund our upfront acquisition costs.

***2. Captive Reinsurance (Root Re):***

In order to improve our overall capital efficiency and support our "capital-light" model, in 2019 we established a Cayman Islands-based Class B(iii) insurer, or Root Re. Root Re is wholly-owned by Root, Inc. and is a sister company to Root Insurance Company to whom it provides reinsurance support covering both auto and renters products. U.S. insurance regulatory requirements have a target capital and surplus requirement for auto policies such that our ratio of net premiums to capital and surplus does not exceed 3:1; today, our captive reinsurer requirement is 8:1. This means that every dollar of net premiums we cede to Root Re requires less than half as much capital as it would have required in Root Insurance Company.

We also utilize Root Re as a means of reducing risk to market terms for proportional reinsurance as we can increase cession levels to our captive reinsurer if we find market terms unappealing while still achieving significant capital reduction benefits.

Our quota share arrangement with Root Re includes approximately 15% of direct earned premium as of July 1, 2020. We have the ability to scale that arrangement such that Root Re is able to offer a complimentary balance to

Root Insurance Company. Currently Root Re and Root Insurance Company each capture approximately 15% of direct earned premium, or 50% each of net earned premium, following third-party reinsurance.

**Investments**

Our portfolio of investable assets is primarily held in cash, short-term investments, and available-for-sale fixed maturity securities, including U.S. Treasury securities, corporate debt securities, mortgage back securities and other debt obligations. We manage the portfolio in accordance with investment policies and guidelines approved by our board of directors. We have designed our investment policy and guidelines to provide a balance between current yield, conservation of capital, and liquidity requirements of our operations setting guidelines that provide for a well-diversified investment portfolio that is compliant with insurance regulations applicable to the states in which we operate. For further information, see Note 3, Investments, to the consolidated financial statements included elsewhere in this prospectus.

**Competition**

The insurance industry in which we operate is highly competitive. Many of our primary competitors have well-established national brands and market similar products. Our competitors include large national insurance companies such as Geico, Progressive and Allstate, as well as up-and-coming companies and new market entrants in the insurtech industry, some of whom also utilize telematics and offer forms of usage-based insurance. Several of these established national insurance companies are larger than us and have significant competitive advantages over us, including increased name recognition, higher financial ratings, greater resources, additional access to capital, and more types of insurance coverage to offer, such as health and life, than we currently do. In particular, many of these competitors offer consumers the ability to purchase multiple other types of insurance coverage and "bundle" them together into one policy and, in certain circumstances, include an umbrella liability policy for additional coverage at competitive prices. Moreover, as we expand into new lines of business and offer additional products, we could face intense competition from traditional insurance companies that are already established in such markets.

Competition is based on many factors, including the reputation and experience of the insurer, coverages offered, pricing and other terms and conditions, customer service, size, and financial strength ratings, among other considerations. We believe we compete favorably across many of these factors, and have developed a platform and business model based on behavioral data collection and machine learning that we believe will be difficult for incumbent insurance providers to emulate.

**Intellectual Property**

We believe that our intellectual property rights are valuable and important to our business. We rely on trademarks, patents, copyrights, trade secrets, license agreements, intellectual property assignment agreements, confidentiality procedures, non-disclosure agreements, and employee non-disclosure and invention assignment agreements to establish and protect our proprietary rights. Though we rely in part upon these legal and contractual protections, we believe that factors such as our skills and ingenuity of our employees and the functionality and frequent enhancements to our platform are larger contributors to our success in the marketplace.

As of June 30, 2020, we had 4 non-provisional patent applications pending examination in the United States. We continually review our development efforts to assess the existence and patentability of new intellectual property.

We have trademark rights in our name, our logo, and other brand indicia, and have trademark registrations for select marks in the United States and many other jurisdictions around the world. We also have registered domain names for websites that we use in our business.

We intend to pursue additional intellectual property protection to the extent we believe it would be beneficial and cost-effective. Despite our efforts to protect our intellectual property rights, they may not be respected in the future or may be invalidated, circumvented, or challenged. For additional information, see the sections titled "Risk Factors—Risks Related to Our Business—Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services and brand".

**Employees**

As of June 30, 2020, we had 901 full-time employees. None of our employees is represented by a labor union or covered by collective bargaining agreements. We have not experienced any work stoppages. We consider our relationship with our employees to be good.

**Facilities**

Our corporate headquarters are located in Columbus, Ohio, and consist of 109,062 square feet under lease agreements that expire in 2024 and 2026. We maintain additional offices in Columbus, Ohio and in Chandler, Arizona. We lease all of our facilities and do not own any real property. We believe our facilities are adequate and suitable for our current needs and that, should it be needed, suitable additional or alternative space will be available to accommodate our operations.

**Legal Proceedings**

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows or financial condition. Defending such proceedings is costly and can impose a significant burden on management and employees. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

## REGULATION

### Insurance Regulation

We are subject to insurance regulation in the jurisdictions in which we transact insurance through our licensed insurance carriers and producer subsidiaries. Insurance regulatory authorities have broad administrative powers to regulate all aspects of an insurance carrier or producer's business, including the powers to restrict or revoke licenses to transact business, and to levy fines and monetary penalties against insurers and insurance producers found to be in violation of applicable laws and regulations. Regulations to which our licensed insurance carriers and producer subsidiaries are subject include, but are not limited to:

- prior approval of transactions resulting in a change of "control" (as such term is defined under the Insurance Holding Company System Regulatory Act of Ohio, or the Ohio Holding Company Act);
- approval of policy forms and premiums;
- approval of intercompany service agreements;
- statutory and risk-based capital solvency requirements, including the minimum capital and surplus our regulated insurance subsidiary must maintain;
- establishing minimum reserves that insurance carriers must hold to pay projected insurance claims;
- required participation by our regulated insurance subsidiary in state guaranty funds;
- restrictions on the type and concentration of our regulated insurance subsidiary's investments;
- restrictions on the advertising and marketing of insurance;
- restrictions on the adjustment and settlement of insurance claims;
- restrictions on the use of rebates to induce a policyholder to purchase insurance;
- restrictions on the sale, solicitation and negotiation of insurance;
- restrictions on the sharing of insurance commissions and payment of referral fees;
- prohibitions on the underwriting of insurance on the basis of race, sex, religion and other protected classes;
- restrictions on our ability to use telematics to underwrite and price insurance policies, particularly in California;
- restrictions on the ability of our regulated insurance subsidiary to pay dividends to us or enter into certain related party transactions without prior regulatory approval;
- rules requiring the maintenance of statutory deposits for the benefit of policyholders;
- privacy regulation and data security;
- regulation of corporate governance and risk management;
- periodic examinations of operations, finances, market conduct and claims practices; and
- required periodic financial reporting.

The business of insurance is almost entirely regulated at the state level, and the laws and regulations to which we are subject vary depending on the state. Unless the context otherwise requires, references herein to "state" include any of the 50 states, the District of Columbia and certain U.S. territories. These rules are subject to change as state legislatures and regulatory agencies update their laws and regulations to address real and perceived issues and

concerns. These laws and regulations are also subject to interpretation by courts. NAIC and the National Council of Insurance Legislators, or NCOIL, are the principal organizations tasked with establishing standards and best practices across the various states, the District of Columbia and five U.S. territories, and from time to time promulgate model rules and regulations that often are the basis for insurance rules and regulations adopted by such jurisdictions. We cannot predict precisely whether or when regulatory actions may be taken that could adversely affect us or the operations of our regulated insurance subsidiary. Interpretations of regulations by regulators may change and statutes, regulations and interpretations may be applied with retroactive effect, particularly in areas such as accounting or reserve requirements.

**Required Licensing**

Our regulated U.S. insurance subsidiary, Root Insurance Company, is domiciled and admitted in the state of Ohio to transact certain lines of property and casualty insurance. In addition to Ohio (the domiciliary state), Root Insurance Company maintains licenses to transact insurance in Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Georgia, Hawaii, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, Washington and West Virginia. We have an application pending for a license to transact insurance in Massachusetts.

We also have a reinsurance captive subsidiary, Root Reinsurance Company, Ltd., domiciled in the Cayman Islands.

Our licensed insurance producer subsidiary, Root Insurance Agency, LLC, must maintain an insurance producer license in every state in which it sells, solicits or negotiates insurance. Root Insurance Agency, LLC currently holds a resident insurance producer license in Ohio and a non-resident license in the remaining 49 states and the District of Columbia, except for California, Florida, Massachusetts and New York.

Insurance regulators have broad authority to restrict or revoke licenses of insurance carriers and producers who are found to be in violation of any applicable laws and regulations.

**Licensing of Our Employees**

Any of our employees who sell, solicit or negotiate insurance must be licensed insurance producers and must fulfill annual continuing education requirements. In certain states in which we operate, insurance claims adjusters are also required to be licensed and fulfill annual continuing education requirements.

**Insurance Holding Company Regulation**

As the parent company of a wholly-owned regulated insurance subsidiary, we are considered a member of an "insurance holding company system" under the Ohio Holding Company Act. Under the insurance holding company system rules and regulations, Root Insurance Company is required to register with the Ohio DOI and furnish information concerning the operations of companies within the holding company system that may materially affect the operations, management or financial condition of Root Insurance Company.

As the ultimate controlling person in the insurance holding company system, we are required to file an annual enterprise risk report pursuant to the Ohio Holding Company Act. The report discloses, among other things, any material activities or developments that could adversely affect the insurance holding company system. In some states, any person divesting control of an insurer must provide 30 days' notice to the regulator and the insurer. In addition, most states require insurance holding company systems to make annual corporate governance disclosures.

Under the Ohio Holding Company Act, all inter-affiliate transactions within a holding company system must meet the following conditions: (i) the terms must be fair and reasonable; (ii) charges or fees for services performed must be fair and reasonable; and (iii) expenses incurred and payments received must be allocated to the insurer in conformity with customary insurance accounting practices consistently applied. We generally must disclose any transaction between our regulated insurance subsidiary and our other affiliates to the Ohio DOI and must obtain prior approval from the Ohio DOI before entering into certain material inter-affiliate transactions, including, but not

limited to, management agreements, tax allocation agreements, service contracts, cost-sharing arrangements, extraordinary dividends, certain reinsurance transactions and certain loan agreements.

**Change of Control**

Pursuant to the Ohio Holding Company Act, a person must seek regulatory approval from the superintendent of the Ohio DOI prior to acquiring direct or indirect "control" of a domestic insurer by filing a Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer. As part of this Form A application, the entity acquiring control (as well as any controlling shareholders of such entity) will need to submit, along with other documents and disclosures, its financial statements, organizational charts and biographical affidavits for any officers, directors and controlling shareholders of each applicable entity. Under the Ohio Holding Company Act, the superintendent of the Ohio DOI will grant approval of an application to acquire control of a domestic insurer unless, after a public hearing, the superintendent finds that any of the following apply: (i) after the change of control, the domestic insurer would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed; (ii) the effect of the merger or other acquisition of control would be substantially to lessen competition in insurance in Ohio or tend to create a monopoly; (iii) the financial condition of any acquiring party is such as might jeopardize the financial stability of the domestic insurer, or prejudice the interests of its policyholders; (iv) the plans or proposals that the acquiring party has to liquidate the domestic insurer, sell its assets, or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the domestic insurer and not in the public interest; (v) the competence, experience and integrity of the persons that would control the operation of the domestic insurer are such that it would not be in the interest of policyholders of the domestic insurer and of the public to permit the merger or other acquisition of control; or (vi) the acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

The Ohio Holding Company Act provides that control over a domestic insurer is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent or more of the voting securities of the domestic insurer. A person may rebut this statutory presumption of control by submitting a disclaimer of affiliation with the Ohio DOI, disclosing all material relationships and bases for affiliation between the person and the insurer as well as the basis for disclaiming such affiliation. The state regulators, however, may also find that "control" exists in circumstances in which a person owns or controls less than ten percent of the voting securities of the domestic insurer.

These change of control regulations may dissuade investors from acquiring a controlling stake in our company, including through transactions that some or all of our stockholders might consider to be desirable. Such regulations may also inhibit our ability to acquire an insurance company should we wish to do so in the future. See the section titled "Risk Factors—Risks Related to this Offering and Ownership of Our Class A Common Stock—Applicable insurance laws may make it difficult to effect a change of control".

**ORSA**

Pursuant to the ORSA Model Act, an insurance company with direct written and unaffiliated assumed premium of more than $500 million or that is part of an insurance group with direct written and unaffiliated assumed premium of more than $1 billion must maintain a risk management framework to assist the insurer with identifying, assessing, monitoring, managing, and reporting on its material and relevant risks. In addition, the insurer must regularly conduct an own risk and solvency assessment in accordance with NAIC's ORSA Guidance Manual. Upon the request of the superintendent of the Ohio DOI, and not more than once a year, the insurer must submit an ORSA summary report, or any combination of reports that together contain the information described in the ORSA Guidance Manual, with respect to the insurer and the insurance group of which it is a member. Root Insurance Company was exempt from these requirements in 2019 since it had direct written and unaffiliated assumed premium of less than $500 million for that year but expects to cross this threshold and become subject to ORSA in 2020.

**Restrictions on Paying Dividends**

We are a holding company that transacts a majority of its business through operating subsidiaries. Consequently, our ability to pay dividends to stockholders and meet our debt payment obligations depends on the

results of operations of our operating subsidiaries and on the ability of such subsidiaries to provide us with cash, whether in the form of dividends, distributions, loans or otherwise. The payment of any extraordinary dividend by our regulated insurance subsidiary requires the prior approval of the superintendent of the Ohio DOI. "Extraordinary dividend" is defined under the Code as: (i) any dividend or distribution of cash or other property whose fair market value, together with that of other dividends or distributions made within the preceding twelve months, exceeds the greater of (a) ten per cent of Root Insurance Company's policyholder surplus as of December 31 of the preceding year, or (b) Root Insurance Company's net income for the twelve-month period ending December 31 of the preceding year or (ii) any dividend or distribution paid by Root Insurance Company from a source other than earned surplus. As of December 31, 2019, Root Insurance Company was not permitted to pay any dividends to us without approval of the superintendent of the Ohio DOI. See the section titled "Risk Factors—Risks Related to Our Business— Failure to maintain our risk-based capital at the required levels could adversely affect our ability to maintain regulatory authority to conduct our business".

In addition, insurance regulators have broad powers to prevent a reduction of statutory surplus to inadequate levels, and there is no assurance that dividends of the maximum amount calculated under any applicable formula would be permitted. The Ohio DOI may in the future adopt statutory provisions more restrictive than those currently in effect.

**Reserves**

Root Insurance Company is required to hold admitted assets as reserves to cover projected losses under its policies, in accordance with actuarial principles. In accordance with NAIC's property and casualty statement instructions, Root Insurance Company must submit an annual Statement of Actuarial Opinion from a qualified actuary appointed by the company, certifying that its reserves are reasonable.

**Risk-Based Capital**

Root Insurance Company is required to maintain minimum levels of risk-based capital to support its overall business operations and minimize the risk of insolvency. State insurance regulators use risk-based capital to set capital requirements, based on the size and degree of risk taken by the insurer, taking into account various risk factors including asset risk, credit risk, underwriting risk, and interest rate risk. As the ratio of an insurer's total adjusted capital and surplus decreases relative to its risk-based capital, the risk-based capital laws provide for increasing levels of regulatory scrutiny and intervention.

Ohio has adopted the model legislation promulgated by the NAIC pertaining to risk-based capital, and requires annual reporting by Ohio-domiciled insurers to confirm that the insurer is meeting its risk-based capital requirements. Ohio-domiciled insurers falling below a risk-based capital threshold may be subject to varying degrees of regulatory action. An insurance company with total adjusted capital that is less than 200% of its authorized control level risk-based capital is at a company action level, which would require the insurance company to file a risk-based capital plan that, among other things, contains proposals of corrective actions the company intends to take that are reasonably expected to result in the elimination of the company action level event. Additional action level events occur when the insurer's total adjusted capital falls below 150%, 100% and 70% of its authorized control level risk-based capital. When total adjusted capital falls below 70%, a mandatory control event is triggered which results in the Ohio DOI placing the insurance company in receivership and assuming control of the operations of the insurer. As of June 2020, Root Insurance Company's risk based capital levels are above any of these regulatory action level thresholds.

**Hazardous Financial Conditions**

The Ohio DOI has the authority to deem Root Insurance Company to be in a hazardous financial condition such that the insurer's continued operation may be hazardous to its policyholders, creditors, or the general public. A finding of a hazardous condition can be based upon a number of factors, including, but not limited to: (i) adverse findings in a financial, market conduct or other examination; (ii) failure to maintain adequate reserves in accordance with presently accepted actuarial standards of practice; (iii) net loss or negative net income in the last twelve month period or any shorter period of time; (iv) failure to meet financial and holding company filing requirements; (v) insolvencies with a company's reinsurer(s) or within the insurer's insurance holding company system; (vi) a finding

of incompetent or unfit management of the insurer; (vii) a failure to furnish requested information or provide accurate information in relation to a response to an inquiry or filing of a financial statement; and (viii) any other finding determined by the commissioner to be hazardous to the insurer's policyholders, creditors or general public.

If the Ohio DOI finds Root Insurance Company to be in hazardous condition it has the authority, in lieu of placing the insurer into supervision, rehabilitation or liquidation, to enter into a memorandum of understanding with the insurer or issue an order to require the insurer to remedy the hazard. This would include, but is not limited to, ordering the insurer to: (i) increase its capital and surplus, (ii) suspend payments of dividend, (iii) limit or withdraw from certain investments, (iv) correct corporate governance deficiencies and (v) take any other action necessary to cure the hazardous condition.

**Periodic Examinations**

Root Insurance Company is subject to on-site visits and examinations by the state insurance regulatory authorities. Root Insurance Company is subject to market conduct examinations by insurance regulators, under which the regulator will examine its conduct towards policyholders including, but not limited to, complaint handling, marketing, claims, rate and form filing and customer service. Root is also subject to a financial examination by the Ohio DOI every five years, under which the Ohio DOI will review the company's financials, including its relationships and transactions with affiliates. Root Insurance Company is currently undergoing its first financial examination by the Ohio DOI which will likely not conclude until the second quarter of 2021. In addition, the Ohio DOI may conduct special or targeted examinations to address particular concerns or issues at any time. Insurance regulators of other states in which Root Insurance Company is licensed may also conduct examinations of the company. Root Insurance Company is presently undergoing two insurance department market conduct examinations, one by the Delaware Department of Insurance and the other by the Virginia Department of Insurance. The results of these examinations can give rise to fines and monetary penalties as well as regulatory orders requiring remedial, injunctive or other corrective action.

**Statutory Accounting Principles**

A licensed insurance carrier's financial statements must be completed in accordance with statutory accounting principles, or SAP. SAP was developed by U.S. insurance regulators as a method of accounting used to monitor and regulate the solvency of insurance companies. In developing SAP, insurance regulators were primarily concerned with evaluating an insurer's ability to pay all its current and future obligations to customers. As a result, statutory accounting focuses on conservatively valuing the assets and liabilities of insurers, generally in accordance with standards specified by the insurer's domiciliary jurisdiction.

Uniform statutory accounting practices are established by the NAIC and generally adopted by regulators in the various U.S. jurisdictions. These accounting principles and related regulations differ somewhat from GAAP principles, which are designed to measure a business on a going-concern basis. GAAP gives consideration to matching of revenue and expenses and, as a result, certain expenses are capitalized when incurred and then amortized over the life of the associated policies. Other assets such as goodwill are accounted for under GAAP financial statements but not SAP. As a result, the values for assets, liabilities, and equity reflected in financial statements prepared in accordance with GAAP may be different from those reflected in financial statements prepared under SAP.

**Credit for Reinsurance**

Root Insurance Company is currently party to a number of reinsurance agreements under which it has ceded a portion of the risk it is insuring to various reinsurers. State insurance laws permit U.S. insurance companies, as ceding insurers, to take financial statement credit for reinsurance that is ceded, so long as the assuming reinsurer satisfies the state's credit for reinsurance laws. Once an insurance carrier has received credit for reinsurance it does not need to hold separate admitted assets as reserves to cover claims on the risks that it has ceded to the reinsurer. There are several different ways in which the credit for reinsurance laws may be satisfied by an assuming reinsurer, including being licensed in the state, being accredited in the state, or maintaining certain types of qualifying collateral. We ensure that all of Root Insurance Company's reinsurers qualify for credit for reinsurance so that Root Insurance Company is able to take full financial statement credit for its reinsurance.

**Rate Regulation**

Most states require personal property and casualty insurers to file rating plans, policy or coverage forms, and other information with the state's regulatory authority. In certain cases, such rating plans, policy forms, or both must be approved prior to use.

We currently have products on file and approved in the following states: Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia and West Virginia.

The speed with which an insurer can change rates in response to competition or increasing costs depends, in part, on whether the rating laws are (i) prior approval, (ii) file-and-use or (iii) use-and-file laws. In states having prior approval laws, the regulator must approve a rate before the insurer may use it. In states having file-and-use laws, the insurer does not have to wait for the regulator's approval to use a rate, but the rate must be filed with the regulatory authority prior to being used. A use-and-file law requires an insurer to file rates within a certain period of time after the insurer begins using them. Eighteen states, including California, have prior approval laws. Under all three types of rating laws, the regulator has the authority to disapprove a rate filing.

An insurer's ability to adjust its rates in response to competition or to changing costs depends on an insurer's ability to demonstrate to the regulator that its rates or proposed rating plan meet the requirements of the rating laws. In those states that significantly restrict an insurer's discretion in selecting the business that it wants to underwrite, an insurer can manage its risk of loss by charging a rate that reflects the cost and expense of providing the insurance. In those states that significantly restrict an insurer's ability to charge a rate that reflects the cost and expense of providing the insurance, the insurer can manage its risk of loss by being more selective in the type of business it underwrites. When a state significantly restricts both underwriting and pricing, it becomes more difficult for an insurer to maintain its profitability.

From time to time, the personal lines insurance industry comes under pressure from state regulators, legislators, and special-interest groups to reduce, freeze, or set rates at levels that do not correspond with our analysis of underlying costs and expenses. In particular, auto insurers have come under increasing pressure and in some states have been required to refund a portion of their premium to their policyholders due to decreasing auto claims arising from the COVID-19 pandemic. Whether this pressure continues to exist depends on the persistence of COVID-19 generally. State regulators may interpret existing law or rely on future legislation or regulations to impose new restrictions that adversely affect profitability or growth. We cannot predict with precision the impact on our business of possible future legislative and regulatory measures regarding insurance rates.

In addition, insurers are restricted in their ability to use telematics-based data to set premium rates in California. Proposition 103, which was passed by referendum in 1988, limits the factors that insurers can use to set auto insurance rates to, in decreasing order of importance: (i) the insured's driving safety record; (ii) the number of miles he or she drives annually; (iii) the number of years of driving experience the insured has had; and (iv) those other factors that the Commissioner of the California Insurance Department may adopt by regulation and that have a substantial relationship to the risk of loss. Under current California regulation, the use of telematics-based data beyond miles driven, including when, where or how the car is driven, is prohibited. We are currently in discussions with the California Department of Insurance to revise its regulations to allow us to use telematics to a greater extent to underwrite and price insurance policies, although we cannot predict the outcome of these discussions, and there can be no assurance that the California Department of Insurance will revise its regulations accordingly, if at all.

**Insolvency Funds and Associations, Mandatory Pools, and Insurance Facilities**

Most states require admitted property and casualty insurance companies to become members of insolvency funds or associations, which they fund through an annual assessment. These funds cover payments of claims of state policyholders whose admitted insurance carriers have become insolvent. The annual assessments required in any one year will vary from state to state, and are subject to various maximum assessments per line of insurance.

**Investment Regulation**

Root Insurance Company is subject to Ohio's rules and regulations governing the investment of its assets. Ohio's laws generally require that an insurance company invest in a diverse portfolio, and limit its investments in certain asset categories. Failure to comply with these laws and regulations would cause non-conforming investments to be treated as non-admitted assets for purposes of measuring statutory surplus and, in certain circumstances, we would be required to dispose of those investments.

**Trade Practices**

Insurance producers are subject to regulation on how they may sell, solicit or negotiate insurance and conduct their business, with state laws prohibiting certain unfair trade practices. Such practices include, but are not limited to, false advertising, making false statements to regulators, unfair discrimination and rebating premium to policyholders above certain de minimis amounts. We set business conduct policies and provides training to make our employee-agents and other customer service personnel aware of these prohibitions and requires them to conduct their activities in compliance with these statutes.

**Unfair Claims Practices**

Insurance companies, third party administrators and individual claims adjusters are generally prohibited by state statutes from engaging in unfair claims practices. Unfair claims practices include, but are not limited to, misrepresenting pertinent facts or insurance policy provisions, failing to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies, failing to adopt reasonable standards for the investigation and settlement of a claim and attempting to settle a claim for less than the amount to which a reasonable person would have believed such person was entitled. We set business conduct policies to make claims adjusters aware of these prohibitions and to require them to conduct their activities in compliance with these statutes.

**Commission Sharing**

Insurance producers cannot share insurance commissions with any person for selling, soliciting or negotiating insurance unless such person holds an insurance producer license in the lines of insurance that are being transacted. Under the insurance laws of most states, there is a limited exception to this prohibition on commission sharing for the payment of referral fees to unlicensed persons, provided that the fee is a flat fee that is not contingent on the purchase of insurance and the referral does not involve the discussion of the terms or conditions of the policy.

**Data Privacy**

The use of non-public personal information in the insurance industry is subject to regulation under the privacy provisions of the Gramm-Leach Bliley Act and the NAIC Insurance Information and Privacy Act, as adopted and implemented by the various state legislatures and insurance regulators, including through the California Financial Information Privacy Act. Pursuant to these laws and regulations, among other things, an insurance carrier or producer must disclose its privacy policies to all of its applicants and policyholders and must also provide either an opt-in or opt-out, depending on the state, to the sharing of non-public personal information with unaffiliated third parties. Under these rules and regulations, insurance companies and producers must also establish a program of administrative, technical, and physical safeguards designed to ensure the security and confidentiality of customer information, protect against any anticipated threats or hazards to the security or integrity of customer information, and protect against unauthorized access to or use of customer information that could result in substantial harm or inconvenience to the customers.

We are also subject to the CCPA, which took effect on January 1, 2020. The CCPA gives California residents the right to access and require deletion of their personal information, opt out of certain personal information sharing, and receive detailed disclosures about how their personal information is used and shared. The CCPA exempts certain information that is collected, processed, sold or disclosed pursuant to the California Financial Information Privacy Act, the Gramm-Leach-Bliley Act or the federal Driver's Privacy Protection Act, which also apply to us. However, the definition of "personal information" in the CCPA is broad and encompasses other information that we process beyond the scope of this exemption.

**Cybersecurity**

Additionally, in response to the growing threat of cyber-attacks in the insurance industry, certain jurisdictions have begun to consider and adopt new cybersecurity regulations. On October 24, 2017, the NAIC adopted the Insurance Data Security Model Law, intended to serve as model legislation for states to enact in order to govern cybersecurity and data protection practices of insurers, insurance agents, and other licensed entities registered under state insurance laws. Alabama, Connecticut, Delaware, Louisiana, Michigan, Mississippi, New Hampshire, Ohio, Indiana, South Carolina and Virginia, have adopted versions of the Insurance Data Security Model Law, each with a different effective date. Root Insurance Company takes steps to comply with financial industry cybersecurity regulations and believes it complies in all material respects with their requirements. Our board of directors oversees cybersecurity risk management and delegates oversight of our information security program to our executive officers and chief information security officer, who is responsible for the day-to-day management of our information security program and provides updates to the audit committee of our board of directors at each of its meetings. Our incident response team, headed by our general counsel, reports material information security incidents to our executive officers, who in turn report them to our board of directors.

**Federal Regulation**

The regulation of insurance companies is principally a matter of state law, and the federal government does not directly regulate the transaction of insurance. However, federal regulation and initiatives do have an impact on the insurance industry. In particular, the Federal Insurance Office, or FIO, was established within the U.S. Department of the Treasury by the Dodd-Frank Act in July 2010 to monitor and coordinate the regulation of the insurance industry across the United States.

Although the FIO has limited direct regulatory authority over insurance companies or other insurance industry participants, it does represent the United States on prudential aspects of international insurance matters, including at the International Association of Insurance Supervisors, or IAIS. In addition, the FIO serves as an advisory member of the Financial Stability Oversight Council, assists the secretary of the U.S. Department of the Treasury with administration of the Terrorism Risk Insurance Program, monitors trends in the insurance industry and advises the secretary of the U.S. Department of the Treasury on important national and international insurance matters. The FIO has the ability to make a recommendation to the Financial Stability Oversight Council to designate an insurer as “systemically significant,” subjecting the insurer to regulation by the Federal Reserve as a bank holding company, which could lead to higher capital requirements.

In addition, a number of federal laws affect and apply to the insurance industry, including various privacy laws, false advertising laws, anti-money laundering laws, the FCRA, and the economic and trade sanctions implemented by the Office of Foreign Assets Control, or OFAC. OFAC has imposed civil penalties on persons, including insurance and reinsurance companies, arising from violations of its economic sanctions program.

## MANAGEMENT

The following table sets forth information for our executive officers and directors as of September 30, 2020:

| Name | Age | Position |
|---|---|---|
| ***Executive Officers*** | | |
| Alexander Timm | 32 | Co-Founder, Chief Executive Officer and Director |
| Daniel Rosenthal | 45 | Chief Financial Officer and Director |
| Daniel Manges | 35 | Co-Founder and Chief Technology Officer |
| | | |
| ***Non-Employee Directors*** | | |
| Christopher Olsen(3) | 41 | Director |
| Doug Ulman(3) | 43 | Director |
| Elliot Geidt(1) | 39 | Director |
| Jerri DeVard(3) | 62 | Director |
| Larry Hilsheimer(1) | 63 | Director |
| Luis von Ahn(2) | 42 | Director |
| Nancy Kramer(2) | 65 | Director |
| Nick Shalek(2) | 37 | Director |
| Scott Maw(1) | 53 | Director |

(1) Member of the audit committee.
(2) Member of the compensation committee.
(3) Member of the nominating and governance committee.

### Executive Officers

*Alexander Timm.* Mr. Timm has served as our Co-Founder, Chief Executive Officer and a member of our board of directors since our founding in March 2015. From August 2011 to March 2015, Mr. Timm served in various management roles at Nationwide Mutual Insurance Company, an insurance and financial services company. He holds a Bachelor of Science and Bachelor of Arts in Actuarial Science, Accounting, and Mathematics from Drake University. We believe Mr. Timm is qualified to serve on our board of directors due to his perspective and experience as our Co-Founder and Chief Executive Officer, as well as his experience in the insurance industry.

*Daniel Rosenthal.* Mr. Rosenthal has served as a member of our board of directors since March 2017 and as our Chief Financial Officer since November 2019. From August 2009 to December 2018, Mr. Rosenthal co-founded and worked at The Milestone Aviation Group, an aviation financing company acquired by GE Capital in 2015. He served as Chairman, President and Chief Executive Officer from 2016 to 2018 and as President from 2009 to 2016. From January 2018 to December 2018, Mr. Rosenthal also served as the Executive Vice President of Financing and Products at GE Capital Aviation Services, a commercial aviation financing and leasing company. He previously held roles at NetJets Inc., a private aviation services company, and Williams & Connolly LLP, a law firm. He holds a Bachelor of Arts in History and International Studies from Yale University and a Juris Doctorate from Duke University School of Law. We believe Mr. Rosenthal is qualified to serve on our board of directors due to his perspective and experience from serving as the Chief Financial Officer and his executive experience at numerous companies.

*Daniel Manges.* Mr. Manges has served as our Co-Founder and Chief Technology Officer since June 2015. From 2008 to 2012, Mr. Manges was the founding Chief Technical Officer at Braintree, Inc., a mobile and web payment system company, where he also served as an engineer until just prior to its acquisition by PayPal, Inc. in 2013. He holds a Bachelor of Science in Computer Information Systems from DeVry University.

**Non-Employee Directors**

*Christopher Olsen.* Mr. Olsen has served as a member of our board of directors since March 2015. Since September 2012, Mr. Olsen has served as the Co-Founder and Partner of Drive Capital, a venture capital firm. From July 2006 to October 2012, Mr. Olsen served as a Partner at Sequoia Capital, a venture capital firm. In addition to his role on our board of directors, Mr. Olsen also serves as a member of the board of several private companies and nonprofits. He holds a Bachelor of Arts in Political Science from Yale University. We believe Mr. Olsen is qualified to serve on our board of directors due to his experience in a wide range of industries, his leadership experience at a venture capital firm, and his service as a director at numerous companies.

*Doug Ulman.* Mr. Ulman has served as a member of our board of directors since December 2016. Since December 2014, Mr. Ulman has served as the President and Chief Executive Officer of Pelotonia LLC, a cancer research nonprofit. He also serves as a Hauser Fellow at Harvard University Kennedy School Center for Public Leadership. From 2008 to December 2014, he served as the President and Chief Executive Officer of The LIVESTRONG Foundation. Mr. Ulman also serves as a member of the board of several private foundations, including the Ulman Foundation and Walk With a Doc. He holds a Bachelor of Arts from Brown University and completed the Executive Program in Leadership at Stanford University. We believe Mr. Ulman is qualified to serve on our board of directors due to his experience in executive leadership roles.

*Elliot Geidt.* Mr. Geidt has served as a member of our board of directors since March 2018. Mr. Geidt has been with Redpoint Ventures, a venture capital firm, since 2012 and is a Managing Director. In addition to his role on our board of directors, Mr. Geidt also serves as a director of several private companies. He holds a Bachelor of Arts in Economics from the University of California, Berkeley and a Master of Business Administration from the Stanford University Graduate School of Business. We believe Mr. Geidt is qualified to serve on our board of directors due to his investment experience and his service as a director at numerous companies.

*Jerri DeVard.* Ms. DeVard has served as a member of our board of directors since October 2020. From January 2018 to March 2020, Ms. DeVard served as Executive Vice President, Chief Customer Officer of Office Depot, Inc. (NYSE: ODP), leading their eCommerce and Customer Service functions as well as Marketing and Communications and as Executive Vice President and Chief Marketing Officer from September 2017 to December 2017. From March 2014 through May 2016, Ms. DeVard served as Senior Vice President and Chief Marketing Officer of The ADT Corporation (NYSE: ADT), a leading provider of home and business security services. From July 2012 to March 2014, she was Principal of DeVard Marketing Group, a firm specializing in advertising, branding, communications and traditional/digital/multicultural marketing strategies, and prior thereto served as Executive Vice President of Marketing for Nokia. Ms. DeVard served in a number of senior marketing roles throughout her career, including as Senior Vice President of Marketing and Senior Vice President, Marketing Communications and Brand Management of Verizon Communications, Inc., Chief Marketing Officer of the e-Consumer business at Citibank N.A. and other senior marketing positions at Revlon Inc., Harrah's Entertainment, the NFL's Minnesota Vikings and the Pillsbury Company. Ms. DeVard currently serves on the Board of Directors of Under Armour, Inc. (NYSE: UA) and Cars.com (NYSE: CARS). We believe Ms. DeVard is qualified to serve on our board of directors due to her experience in executive leadership roles and marketing expertise.

*Larry Hilsheimer.* Mr. Hilsheimer has served as a member of our board of directors since October 2020. Since May 2014, Mr. Hilsheimer has served as Executive Vice President and Chief Financial Officer of Greif, Inc. (NYSE: GEF), an industrial manufacturing company. From April 2013 to April 2014, Mr. Hilsheimer served as Executive Vice President and Chief Financial Officer of The Scotts Miracle-Gro Company (NYSE: SMG), a multinational supplier of consumer gardening products. From October, 2007 to March 2013, Mr. Hilsheimer served in various executive roles with Nationwide Mutual Insurance Company, beginning as EVP/CFO, then to President and Chief Operating Officer of Nationwide Direct and Customer Solutions with responsibility for its direct to consumer sales and service, Nationwide Bank and Nationwide Better Health, before taking on the role of President and Chief Operating Officer of Nationwide Retirement Plans with continuing responsibility for Nationwide Bank. Prior to Nationwide, Mr. Hilsheimer served at Deloitte from 1979 through 2007, as a partner from 1988 through 2007, including as a Vice Chairman from 2005 through 2007. Mr. Hilsheimer is a director and Chairman of the Audit Committee of Installed Building Products, Inc. (NYSE: IBP), an installer of insulation products. Mr. Hilsheimer has served as a director and Chairman of the Audit Committee of Root Insurance Company since

2017.We believe Mr. Hilsheimer is qualified to serve on our board of directors due to his management experience and his existing relationship with the Company.

*Luis von Ahn.* Mr. von Ahn has served as a member of our board of directors since October 2020. Since August 2011, he has served as the CEO and Co-Founder of Duolingo, Inc., a language-learning company. From 2007 to 2009, he served as the CEO of reCAPTCHA, Inc., a fraud detection technology company, until its acquisition by Google, LLC, a multinational technology company, in 2009. He holds a Bachelor of Science in Mathematics from Duke University and a Ph.D. in Computer Science from Carnegie Mellon University. We believe Mr. von Ahn is qualified to serve on our board of directors due to his technical expertise and experience in executive management roles at several successful technology companies.

*Nancy Kramer.* Ms. Kramer has served as a member of our board of directors since August 2020. Since August 2016, she has served as the Global Chief Evangelist of IBM iX, a digital strategy and marketing services division of IBM. She founded Resource/Ammirati, a marketing and creative agency, in 1981 with Apple Computer as her first client; and served dozens of Fortune 500 companies, until its sale to IBM in 2016. In addition to her role on our board of directors, she has served as a director of M/I Homes, Inc., a home construction company, since 2015. From 2013 to 2015, Ms. Kramer served as a director of Glimcher Realty Trust, a real estate investment trust, until its sale to Washington Prime Group in 2015. She holds a Bachelor of Arts from the Ohio State University. We believe Ms. Kramer is qualified to serve on our board of directors due to her experience in executive management roles and advising venture capital companies as well as her public company director experience.

*Nick Shalek.* Mr. Shalek has served as a member of our board of directors since June 2017. Since August 2012, Mr. Shalek has served as a General Partner at Ribbit Capital, a venture capital firm. In addition to his role on our board of directors, Mr. Shalek also serves as a member of the board of several private companies. He holds a Bachelor of Arts in Economics and Political Science from Yale University, a Master of Arts from Stanford University School of Education and a Master of Business Administration from Stanford University Graduate School of Business. We believe Mr. Shalek is qualified to serve on our board of directors due to his experience in the venture capital industry and his experience serving as a director of various private companies.

*Scott Maw.* Mr. Maw has served on our board of directors since October 2020. Since August 2020, Mr. Maw has served as a Senior Advisor at WestRiver Group, or WestRiver, a private equity investment firm. From September 2019 to August 2020, Mr. Maw was Managing Director at WestRiver. From February 2014 to November 2018, Mr. Maw was Executive Vice President and Chief Financial Officer at Starbucks Corporation, a global roaster and retailer of specialty coffee. From October 2012 to December 2014 he was Senior Vice President, Corporate Finance at Starbucks, and Senior Vice President and Global Controller from August 2011 to October 2012. From 2010 to 2011, he was Senior Vice President and CFO of SeaBright Holdings, Inc., a specialty workers' compensation insurer. From 2008 to 2010, he was Senior Vice President and CFO of the Consumer Bank at JP Morgan Chase & Company. Prior to this, Mr. Maw held leadership positions in finance at Washington Mutual, Inc. from 2003 to 2008, and GE Capital from 1994 to 2003. Prior to joining GE Capital, Mr. Maw worked at KPMG's audit practice from 1990 to 1994. He currently serves as a member of the board of directors of Avista Corporation (NYSE: AVA), Chipotle Mexican Grill (NYSE: CMG) and Alcon Inc. (NYSE: ALC). Mr. Maw holds a Bachelor of Business Administration in Accounting from Gonzaga University. We believe Mr. Maw is qualified to serve on our board of directors due to his experience in executive leadership roles and his financial expertise.

**Family Relationships**

There are no family relationships among any of our executive officers or directors.

**Composition of Our Board of Directors**

Our business and affairs are managed under the direction of our board of directors. We currently have seven directors. Our current directors will continue to serve as directors until their resignation, removal or successor is duly elected.

Our board of directors may establish the authorized number of directors from time to time by resolution. In accordance with our amended and restated certificate of incorporation that will be in effect on the completion of this

offering, immediately after this offering our board of directors will be divided into three classes with staggered three-year terms. At each annual general meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors will be divided among the three classes as follows:

- the Class I directors will be Christopher Olsen, Nick Shalek and Elliot Geidt, and their terms will expire at our first annual meeting of stockholders following this offering;
- the Class II directors will be Nancy Kramer, Scott Maw, Luis von Ahn and Jerri DeVard, and their terms will expire at our second annual meeting of stockholders following this offering; and
- the Class III directors will be Alexander Timm, Daniel Rosenthal, Doug Ulman and Larry Hilsheimer, and their terms will expire at our third annual meeting of stockholders following this offering.

We expect that any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one third of the directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control.

**Director Independence**

Our board of directors has undertaken a review of the independence of each director. Based on information provided by each director concerning his or her background, employment and affiliations, our board of directors has determined that Larry Hilsheimer, Elliot Geidt, Nancy Kramer, Christopher Olsen, Nick Shalek, Doug Ulman, Jerri DeVard, Luis von Ahn and Scott Maw do not have relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the listing standards. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our shares held by each non-employee director and the transactions described in the section titled "Certain Relationships and Related Party Transactions."

**Lead Independent Director**

Upon the completion of this offering, our corporate governance guidelines will provide that one of our independent directors shall serve as the lead independent director at any time when an independent director is not serving as the chairperson of the board of directors. Our board of directors intends to appoint Larry Hilsheimer, effective upon the completion of this offering, to serve as our lead independent director. As lead independent director, he will preside over periodic meetings of our independent directors, coordinate activities of the independent directors, and perform such additional duties as our board of directors may otherwise determine and delegate.

**Committees of Our Board of Directors**

Our board of directors has established an audit committee, a compensation committee, and a nominating and corporate governance committee. The composition and responsibilities of each of the committees of our board of directors are described below. Members serve on these committees until their resignation or until otherwise determined by our board of directors. Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

**Audit Committee**

Our audit committee consists of Larry Hilsheimer, Elliot Geidt and Scott Maw. Our board of directors has determined that each member of the audit committee satisfies the independence requirements under the listing standards of Nasdaq Rule 5605(c)(2) and Rule 10A-3(b)(1) of the Exchange Act. The chair of our audit committee is Larry Hilsheimer. Our board of directors has determined that each of Larry Hilsheimer, Elliot Geidt and Scott Maw is an "audit committee financial expert" within the meaning of SEC regulations. Each member of our audit committee can read and understand fundamental financial statements in accordance with applicable requirements. In

arriving at these determinations, our board of directors has examined each audit committee member's scope of experience and the nature of their employment.

The primary purpose of the audit committee is to discharge the responsibilities of our board of directors with respect to our corporate accounting and financial reporting processes, systems of internal control and financial statement audits, and to oversee our independent registered public accounting firm. Specific responsibilities of our audit committee include:

- helping our board of directors oversee our corporate accounting and financial reporting processes;
- managing the selection, engagement, qualifications, independence and performance of a qualified firm to serve as the independent registered public accounting firm to audit our financial statements;
- discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and the independent accountants, our interim and year-end operating results;
- developing procedures for employees to submit concerns anonymously about questionable accounting or audit matters;
- reviewing related person transactions;
- obtaining and reviewing a report by the independent registered public accounting firm at least annually that describes our internal quality control procedures, any material issues with such procedures and any steps taken to deal with such issues when required by applicable law; and
- approving or, as permitted, pre-approving, audit and permissible non-audit services to be performed by the independent registered public accounting firm.

Our audit committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable listing standards of Nasdaq.

**Compensation Committee**

Our compensation committee consists of Nancy Kramer, Nick Shalek and Luis von Ahn. The chair of our compensation committee is Nancy Kramer. Our board of directors has determined that each member of the compensation committee is independent under the listing standards of Nasdaq, and a "non-employee director" as defined in Rule 16b-3 promulgated under the Exchange Act.

The primary purpose of our compensation committee is to discharge the responsibilities of our board of directors in overseeing our compensation policies, plans and programs and to review and determine the compensation to be paid to our executive officers, directors and other senior management, as appropriate. Specific responsibilities of our compensation committee include:

- reviewing and recommending to our board of directors the compensation of our chief executive officer and other executive officers;
- reviewing and recommending to our board of directors the compensation of our directors;
- administering our equity incentive plans and other benefit programs;
- reviewing, adopting, amending and terminating incentive compensation and equity plans, severance agreements, profit sharing plans, bonus plans, change-of-control protections and any other compensatory arrangements for our executive officers and other senior management; and
- reviewing and establishing general policies relating to compensation and benefits of our employees, including our overall compensation philosophy.

Our compensation committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable listing standards of Nasdaq.

**Nominating and Governance Committee**

Our nominating and governance committee consists of Doug Ulman, Christopher Olsen and Jerri Devard. The chair of our nominating and governance committee is Doug Ulman. Our board of directors has determined that each member of the nominating and governance committee is independent under the listing standards of Nasdaq.

Specific responsibilities of our nominating and governance committee include:

- identifying and evaluating candidates, including the nomination of incumbent directors for reelection and nominees recommended by stockholders, to serve on our board of directors;
- considering and making recommendations to our board of directors regarding the composition and chairmanship of the committees of our board of directors;
- developing and making recommendations to our board of directors regarding corporate governance guidelines and matters; and
- overseeing periodic evaluations of the board of directors' performance, including committees of the board of directors.

Our nominating and governance committee will operate under a written charter, to be effective prior to the completion of this offering that satisfies the applicable listing standards of Nasdaq.

**Code of Business Conduct and Ethics**

In connection with this offering, our board of directors will adopt a code of ethics that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Upon the completion of this offering, the full text of our code of business conduct and ethics will be available under the Corporate Governance section of our website at https://joinroot.com. We intend to disclose future amendments to our code of ethics, or any waivers of such code, on our website or in public filings. The reference to our website address does not constitute incorporation by reference of the information contained at or available through our website, and you should not consider it to be a part of this prospectus.

**Compensation Committee Interlocks and Insider Participation**

None of the members of the compensation committee is currently or has been at any time one of our officers or employees. Daniel Rosenthal, our Chief Financial Officer and a member of our board of directors, is the chair of the board of directors of Pelotonia LLC, the nonprofit for which Doug Ulman, a member of our board of directors, serves as President and Chief Executive Officer.

**Director Compensation**

During 2019, we did not pay any cash or other compensation to any of our non-employee directors for service on our board of directors.

We may adopt a non-employee director compensation policy following this offering.

On January 18, 2017, Doug Ulman, a member of our board of directors, was granted an option to purchase 1,000,000 shares of our Class B common stock, which he partially exercised for 291,660 shares in January 2018. As of December 31, 2019, Mr. Ulman held an option to purchase up to 708,340 shares of our Class B common stock.

## EXECUTIVE COMPENSATION

Our named executive officers for the year ended December 31, 2019, consisting of our principal executive officer and the next two most highly compensated executive officers, were:

- Alexander Timm, our Chief Executive Officer;
- Daniel Rosenthal, our Chief Financial Officer; and
- Daniel Manges, our Chief Technology Officer.

### Summary Compensation Table

The following table presents all of the compensation awarded to or earned by or paid to our named executive officers during the fiscal year ended December 31, 2019.

The 2019 compensation information of our named executive officers is in the process of being finalized and will be added to the registration statement in a pre-effective amendment.

| Name and Principal Position | Year | Salary ($) | Bonus ($) | Stock Awards ($)[1] | Option Awards ($)[1] | Non-Equity Incentive Plan Compensation ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|
| Alexander Timm | | | | | | | | |
| *Chief Executive Officer* | 2019 | 298,333 | 100,500 | — | — | — | — | 398,833 |
| Daniel Rosenthal | | | | | | | | |
| *Chief Financial Officer* | 2019 | 168,750 | 100,000 | — | 4,847,561 | — | — | 5,116,311 |
| Daniel Manges | | | | | | | | |
| *Chief Technology Officer* | 2019 | 250,000 | 60,000 | — | — | — | — | 310,000 |

(1) The amount disclosed represents the aggregate grant date fair value of stock awards and stock options granted to our named executive officers during 2019 under our 2015 Plan, computed in accordance with ASC Topic 718. Such aggregate grant date fair values do not take into account any estimated forfeitures related to service-vesting conditions. The assumptions used in calculating the grant date fair value of the stock awards and stock options are set forth in the notes to our audited consolidated financial statements included elsewhere in this prospectus. This amount does not reflect the actual economic value that may be realized by the named executive officer.

### Agreements with Our Named Executive Officers

Prior to the completion of this offering, we will enter into revised employment offer letters with each of our named executive officers setting forth the terms and conditions of such executive's employment with us. The employment offer letters generally will provide for at-will employment and set forth the executive officer's initial base salary. In addition, prior to the completion of this offering we will enter into severance agreements with each of our named executive officers. Each of our named executive officers has executed our standard proprietary information and inventions agreement.

#### Alexander Timm

Prior to the completion of this offering, we will enter into an offer letter with Mr. Timm. Pursuant to the offer letter, Mr. Timm's base salary will be $600,000 per year. Mr. Timm's employment is at will and may be terminated at any time, with or without cause.

#### Daniel Rosenthal

We entered into an initial offer letter with Mr. Rosenthal, our Chief Financial Officer, dated July 16, 2019, which sets forth the initial terms and conditions of his employment with us. Prior to the completion of this offering, we will enter into a new offer letter with Mr. Rosenthal, which will replace and supersede Mr. Rosenthal's prior offer letter. Pursuant to the new offer letter, Mr. Rosenthal's base salary will be $475,000 per year. Mr. Rosenthal's employment is at will and may be terminated at any time, with or without cause.

**Daniel Manges**

Prior to the completion of this offering, we will enter into an offer letter with Mr. Manges. Pursuant to the offer letter, Mr. Manges' base salary will be $375,000 per year. Mr. Manges' employment is at will and may be terminated at any time, with or without cause.

## Outstanding Equity Awards at Fiscal Year-End

The following table presents the outstanding equity incentive plan awards held by each named executive officer as of December 31, 2019.

| | | Option Awards | | | | | Stock Awards | |
|---|---|---|---|---|---|---|---|---|
| Name | Grant Date | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity incentive plan awards: Number of Securities Underlying Unexercised Unearned Options (#) | Option Exercise Price Per Share ($)(1) | Option Expiration Date | Number of Shares of Stock that Have Not Vested(2) | Market Value of Shares that Have Not Vested($)(3) |
| Alexander Timm | 8/2/2016 | — | — | — | — | — | 312,500(4) | $7,343,750 |
| | 6/19/2018 | — | — | — | — | — | 2,610,850(5) | $61,354,975 |
| Daniel Rosenthal | 3/30/2017 | — | — | — | — | — | 156,250(6) | $3,671,875 |
| | 7/18/2019 | 659,909(7) | — | — | $2.400 | 07/18/2029 | 350,000(8) | $8,225,000 |
| | 7/18/2019 | — | — | 1,009,908(9) | $2.400 | 07/18/2029 | — | $— |
| Daniel Manges | 6/19/2018 | — | — | — | — | — | 1,716,395(10) | $40,335,283 |

(1) All of the option awards were granted with a per share exercise price equal to the fair market value of one share of our common stock on the date of grant, as determined in good faith by our board of directors or compensation committee.
(2) The shares in this column represent shares of restricted stock issued upon the early exercise of stock options, in each case that remained unvested as of December 31, 2019. We have a right to repurchase any unvested shares subject to each such award if the holder of the award ceases to provide services to us prior to the date on which all shares subject to the award have vested in accordance with the applicable vesting schedule described in the footnotes below.
(3) The market price for our common stock is based on an assumed initial public offering price of our Class A common stock of $23.50 per share.
(4) These restricted shares were issued in connection with the early exercise of stock options, which vest over four years, with 25% of the shares vesting on June 17, 2017 and the balance vesting in equal monthly installments over the remaining three years, subject to the individual's continued service through each vesting date.
(5) These restricted shares were issued in connection with the early exercise of stock options, which vest over six years, with one-seventy-second of the shares vesting in equal monthly installments, with the first monthly vesting date occurring on July 17, 2020, contingent upon achieving certain milestones, which have been met, and subject to the individual's continued service through each vesting date.
(6) These restricted shares were issued in connection with the early exercise of stock options, which vest over four years, with 25% of the shares vesting on March 30, 2018 and the balance vesting in equal monthly installments over the remaining three years, subject to the individual's continued service through each vesting date.
(7) One-fourth of the shares subject to the option award vested on July 17, 2020, and thereafter one-forty-eighth of the shares subject to the option award vest monthly, subject to continuous service with us.
(8) These restricted shares were issued in connection with the early exercise of stock options, which vest over four years, with 25% of the shares vesting on July 17, 2020 and the balance vesting in equal monthly installments over the remaining three years, subject to the individual's continued service through each vesting date.
(9) One-fourth of the shares subject to the option award shall vest on the date of the achievement of each of the four performance targets included in Mr. Rosenthal's initial offer letter, in each case, subject to continuous service with us.
(10) These restricted shares were issued in connection with the early exercise of stock options, which vest over six years, with one-seventy-second of the shares vesting in equal monthly installments, with the first monthly vesting date occurring on December 1, 2019, contingent upon achieving certain milestones, which have been met, and subject to continuous service with us.

## Other Compensation and Benefits

All of our current named executive officers are eligible to participate in our employee benefit plans, including our medical, dental, vision, life, disability and accidental death and dismemberment insurance plans, in each case on the same basis as all of our other employees. We pay the premiums for the life, disability, accidental death and dismemberment insurance for all of our employees, including our named executive officers. We generally do not provide perquisites or personal benefits to our named executive officers.

We maintain a 401(k) plan that provides eligible U.S. employees with an opportunity to save for retirement on a tax advantaged basis. Eligible employees are able to defer eligible compensation up to certain Code limits, which are updated annually. We have the ability to make matching and discretionary contributions to the 401(k) plan. Currently, we make contributions of 3% of the employee's contributions. The 401(k) plan is intended to be qualified under Section 401(a) of the Code, with the related trust intended to be tax exempt under Section 501(a) of the Code. As a tax-qualified retirement plan, contributions to the 401(k) plan are deductible by us when made, and contributions and earnings on those amounts are not generally taxable to the employees until withdrawn or distributed from the 401(k) plan.

Our named executive officers did not participate in, or earn any benefits under, a nonqualified deferred compensation plan sponsored by us during the fiscal year ended December 31, 2019. Our board of directors may elect to provide our officers and other employees with nonqualified defined contribution or other nonqualified deferred compensation benefits in the future if it determines that doing so is in our best interests.

Our named executive officers did not participate in, or otherwise receive any benefits under, any pension or retirement plan sponsored by us during 2019, other than the 401(k) plan.

**Employee Benefit and Stock Plans**

Our board of directors intends to adopt the 2020 Plan, that will become effective in connection with the execution and delivery of the underwriting agreement related to this offering, and such 2020 Plan will supersede and replace our Amended and Restated 2015 Equity Incentive Plan, or the 2015 Plan. The description set forth below reflects the 2015 Plan, as currently in effect. After the 2020 Plan becomes effective, no further stock awards will be granted under the 2015 Plan.

**Amended and Restated 2015 Equity Incentive Plan**

In March 2015, the board of directors of Root, Inc. adopted, and its stockholders approved, the 2015 Plan. In August 2019, our board of directors adopted the 2015 Plan and assumed the outstanding obligations thereunder, such that each outstanding option to purchase shares of the common stock of Root, Inc. was converted into an option to purchase an equal number of shares of our Class B common stock subject to the same terms and conditions set forth in the 2015 Plan. The 2015 Plan has been periodically amended, most recently in January 2020. As of June 30, 2020, there were 5,456,036 shares of Class B common stock remaining available for the future grant of stock awards under our 2015 Plan. As of June 30, 2020, stock options covering 11,958,503 shares of our Class B common stock were outstanding and RSUs covering 84,051 shares of Class B common stock were outstanding and subject to vesting and our repurchase right under the 2015 Plan. We expect that any shares remaining available for issuance under the 2015 Plan at the time of this offering will become available for issuance under the 2020 Plan.

*Stock Awards*. Our 2015 Plan provides for the grant of incentive stock options, or ISOs, within the meaning of Section 422 of the Internal Revenue Code, or Code, to our employees or certain of our subsidiary companies, and for the grant of nonstatutory stock options, or NSOs, restricted stock awards or restricted stock units to such employees, our directors and to consultants engaged by us or any of our subsidiary companies.

*Authorized Shares*. Subject to certain capitalization adjustments, the aggregate number of shares of Class B common stock that may be issued pursuant to stock awards under the 2015 Plan will not exceed 45,369,941 shares.

Shares subject to stock awards granted under our 2015 Plan that expire, become unexercisable or are cancelled, forfeited to or repurchased by us due to the failure to vest, or otherwise terminated without having been exercised or settled in full shall revert to and again become available for issuance under the 2015 Plan.

*Plan Administration*. Our board of directors administers and interprets the provisions of the 2015 Plan. The board of directors may delegate its authority to a committee of the board and has delegated authority to the compensation committee of the board, referred to as the "plan administrator" herein. The plan administrator may additionally delegate authority to an officer who is also a member of the board of directors to make grants under

the 2015 Plan. Under our 2015 Plan, the plan administrator has the authority to, among other things, determine award recipients, the numbers and types of stock awards to be granted, the applicable fair market value and the provisions of each stock award, including the period of their exercisability and the vesting schedule applicable to a stock award; construe and interpret the 2015 Plan and awards granted thereunder; prescribe, amend and rescind rules and regulations for the administration of the 2015 Plan; and accelerate the vesting of awards.

Under the 2015 Plan, the plan administrator also has the authority, with participant consent, to issue new awards in exchange for the surrender and cancellation of any or all outstanding awards. The plan administrator may at any time buy an award from a participant with payment in cash, shares of common stock (including restricted stock) or other consideration, based on such terms and conditions as the plan administrator and participant may agree upon.

*Stock Options*. ISOs and NSOs are granted under share option agreements and option rules adopted by the plan administrator. The plan administrator determines the exercise price for stock options, within the terms and conditions of the 2015 Plan, provided that the exercise price of a stock option generally will not be less than 85% of the fair market value of our common stock on the date of grant (nor less than 100% of the fair market value for ISOs, nor less than 110% of the fair market value for 10% stockholders as required by the Code). Options granted under the 2015 Plan vest at the rate specified in the share option agreements and option rules as determined by the plan administrator.

*Restricted Stock Unit Awards.* The plan administrator determines the terms and conditions of restricted stock unit awards, including vesting and forfeiture terms. The only restricted stock unit award that we have issued to date vests upon the satisfaction of both time-based and liquidity event vesting conditions. The time-based requirement vests over a four-year period, subject to continuous service as of each vesting date. The liquidity event requirement is satisfied on the earlier of: (1) the six month anniversary of or, if earlier, March 15 of the year following an initial public offering or a direct listing or (2) the consummation of a change in control, in each case prior to a stipulated expiration date. Each restricted stock unit granted pursuant to the award will vest on the first date upon which both the time-based and liquidity event requirements are satisfied with respect to such unit.

*Restricted Shares.* Restricted shares may be awarded in consideration for cash or cash equivalents or another form of consideration, including past services, as determined by our plan administrator. Restricted shares may also be issued upon an optionholders' exercise of an unvested option, or an early exercise. The plan administrator determines the terms and conditions of restricted shares, including vesting and forfeiture terms. If a participant's service relationship with us ends for any reason, we may receive any or all of the shares of common stock held by the participant that have not vested as of the date the participant terminates service with us through a forfeiture condition or a repurchase right. Restricted shares acquired upon early exercise of a stock option are generally subject to our right to repurchase such shares upon the holder's termination of service with us for any reason, at the price paid for such shares.

*Changes to Capital Structure.* In the event of any stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in our capital structure, the plan administrator will adjust the number of shares that may be delivered under the 2015 Plan and the number and price of shares covered by each outstanding award.

*Corporate Transactions.* In the event of (i) our dissolution or liquidation or (ii) an "Acquisition," as defined in the 2015 Plan, outstanding awards may be assumed, converted or replaced by the successor or acquiring corporation (if any). In the alternative, the successor or acquiring corporation may substitute equivalent awards or provide substantially similar consideration to participants as was provided to our stockholders. The successor or acquiring corporation may also substitute awards by issuing substantially similar shares or other property subject to repurchase restrictions and other provisions no less favorable to the Participant than those which applied immediately prior to the transaction. In the event such successor or acquiring corporation (if any) does not assume, convert, replace or substitute awards, then the vesting of such awards will accelerate and options will

become exercisable in full prior to the consummation of such event, and if such options are not exercised prior to the consummation of the corporate transaction, they will terminate.

*Plan Amendment or Termination*. The board may at any time amend, alter, suspend or terminate the 2015 Plan. Certain amendments, alterations, or the suspension or discontinuance of the 2015 Plan may require the written consent of holders of outstanding awards. Certain material amendments also require the approval of our stockholders. As discussed above, we will terminate our 2015 Plan prior to the closing of this offering and no new awards will be granted thereunder following such termination.

**2020 Equity Incentive Plan**

Our board of directors adopted our 2020 Plan in 2020, and we expect our stockholders to approve our 2020 Plan prior to the completion of this offering. Our 2020 Plan is a successor to and continuation of our 2015 Plan. Our 2020 Plan will become effective on the date of the underwriting agreement related to this offering. The 2020 Plan came into existence upon its adoption by our board of directors, but no grants will be made under the 2020 Plan prior to its effectiveness. Once the 2020 Plan is effective, no further grants will be made under the 2015 Plan .

*Awards.* Our 2020 Plan provides for the grant of incentive stock options, or ISOs, within the meaning of Section 422 of the Code to employees, including employees of any parent or subsidiary, and for the grant of nonstatutory stock options, or NSOs, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance awards and other forms of awards to employees, directors and consultants, including employees and consultants of our affiliates.

*Authorized Shares.* Initially, the maximum number of shares of our Class A common stock that may be issued under our 2020 Plan after it becomes effective will not exceed 41,247,840 shares of our Class A common stock, which is the sum of (1) 25,000,000 new shares of our Class A common stock, plus (2) an additional number of shares of our Class A common stock not to exceed shares of our Class A common stock, consisting of (A) shares that remain available for the issuance of stock awards under our 2015 Plan as of immediately prior to the time our 2020 Plan becomes effective and (B) shares subject to outstanding stock awards granted under our 2015 Plan that, on or after the 2020 Plan becomes effective, expire or otherwise terminate prior to exercise or settlement; are not issued because the stock award is settled in cash; are forfeited or repurchased because of the failure to vest; or are reacquired or withheld to satisfy a tax withholding obligation or the purchase or exercise price, if any, as such shares become available from time to time, provided that any such shares described in clauses (A) and (B) above that are shares of our Class B common stock will be added to the share reserve of our 2020 Plan as shares of our Class A common stock. In addition, the number of shares of our Class A common stock reserved for issuance under our 2020 Plan will automatically increase on January 1 of each year, starting on January 1, 2020 through January 1, 2030, in an amount equal to (1) 4% of the total number of shares of our common stock (both Class A and Class B) outstanding on December 31 of the preceding year, or (2) a lesser number of shares of our Class A common stock determined by our board of directors prior to the date of the increase. The maximum number of shares of our Class A common stock that may be issued on the exercise of ISOs under our 2020 Plan is 120,000,000 shares.

Shares subject to stock awards granted under our 2020 Plan that expire or terminate without being exercised or otherwise issued in full or that are paid out in cash rather than in shares do not reduce the number of shares available for issuance under our 2020 Plan. Shares withheld under a stock award to satisfy the exercise, strike or purchase price of a stock award or to satisfy a tax withholding obligation do not reduce the number of shares available for issuance under our 2020 Plan. If any shares of our Class A common stock issued pursuant to a stock award are forfeited back to or repurchased or reacquired by us (1) because of the failure to vest, (2) to satisfy the exercise, strike or purchase price, or (3) to satisfy a tax withholding obligation in connection with an award, the shares that are forfeited or repurchased or reacquired will revert to and again become available for issuance under the 2020 Plan. Any shares previously issued which are reacquired in satisfaction of tax withholding obligations or as consideration for the exercise or purchase price of a stock award will again become available for issuance under the 2020 Plan.

*Plan Administration.* Our board of directors, or a duly authorized committee of our board of directors, will administer our 2020 Plan and is referred to as the "plan administrator" herein. Our board of directors may also delegate to one or more of our officers the authority to (1) designate employees (other than officers) to receive specified stock awards and (2) determine the number of shares subject to such stock awards. Under our 2020 Plan, our board of directors has the authority to determine award recipients, grant dates, the numbers and types of stock awards to be granted, the applicable fair market value, and the provisions of each stock award, including the period of exercisability and the vesting schedule applicable to a stock award.

Under the 2020 Plan, the board of directors also generally has the authority to effect, with the consent of any materially adversely affected participant, (1) the reduction of the exercise, purchase, or strike price of any outstanding option or stock appreciation right; (2) the cancellation of any outstanding option or stock appreciation right and the grant in substitution therefore of other awards, cash, or other consideration; or (3) any other action that is treated as a repricing under generally accepted accounting principles.

*Stock Options.* ISOs and NSOs are granted under stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for stock options, within the terms and conditions of the 2020 Plan, provided that the exercise price of a stock option generally cannot be less than 100% of the fair market value of our Class A common stock on the date of grant. Options granted under the 2020 Plan vest at the rate specified in the stock option agreement as determined by the plan administrator.

The plan administrator determines the term of stock options granted under the 2020 Plan, up to a maximum of 10 years. Unless the terms of an optionholder's stock option agreement provide otherwise, if an optionholder's service relationship with us or any of our affiliates ceases for any reason other than disability, death, or cause, the optionholder may generally exercise any vested options for a period of three months following the cessation of service. This period may be extended in the event that exercise of the option is prohibited by applicable securities laws. If an optionholder's service relationship with us or any of our affiliates ceases due to death, or an optionholder dies within a certain period following cessation of service, the optionholder or a beneficiary may generally exercise any vested options for a period of 18 months following the date of death. If an optionholder's service relationship with us or any of our affiliates ceases due to disability, the optionholder may generally exercise any vested options for a period of 12 months following the cessation of service. In the event of a termination for cause, options generally terminate upon the termination date. In no event may an option be exercised beyond the expiration of its term.

Acceptable consideration for the purchase of our Class A common stock issued upon the exercise of a stock option will be determined by the plan administrator and may include (1) cash, check, bank draft or money order, (2) a broker-assisted cashless exercise, (3) the tender of shares of our Class A common stock previously owned by the optionholder, (4) a net exercise of the option if it is an NSO, or (5) other legal consideration approved by the plan administrator.

Unless the plan administrator provides otherwise, options and stock appreciation rights generally are not transferable except by will or the laws of descent and distribution. Subject to approval of the plan administrator or a duly authorized officer, an option may be transferred pursuant to a domestic relations order.

*Tax Limitations on ISOs.* The aggregate fair market value, determined at the time of grant, of our common stock with respect to ISOs that are exercisable for the first time by an award holder during any calendar year under all of our stock plans may not exceed $100,000. Options or portions thereof that exceed such limit will generally be treated as NSOs. No ISO may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our parent or subsidiary corporations unless (1) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant, and (2) the term of the ISO does not exceed five years from the date of grant.

*Restricted Stock Unit Awards.* Restricted stock unit awards are granted under restricted stock unit award agreements adopted by the plan administrator. Restricted stock unit awards may be granted in consideration for any form of legal consideration that may be acceptable to our board of directors and permissible under applicable

law. A restricted stock unit award may be settled by cash, delivery of shares of our Class A common stock, a combination of cash and shares of our Class A common stock as determined by the plan administrator, or in any other form of consideration set forth in the restricted stock unit award agreement. Additionally, dividend equivalents may be credited in respect of shares covered by a restricted stock unit award. Except as otherwise provided in the applicable award agreement, restricted stock unit awards that have not vested will be forfeited once the participant's continuous service ends for any reason.

*Restricted Stock Awards.* Restricted stock awards are granted under restricted stock award agreements adopted by the plan administrator. A restricted stock award may be awarded in consideration for cash, check, bank draft or money order, past services to us, or any other form of legal consideration that may be acceptable to our board of directors and permissible under applicable law. The plan administrator determines the terms and conditions of restricted stock awards, including vesting and forfeiture terms. If a participant's service relationship with us ends for any reason, we may receive any or all of the shares of Class A common stock held by the participant that have not vested as of the date the participant terminates service with us through a forfeiture condition or a repurchase right.

*Stock Appreciation Rights.* Stock appreciation rights are granted under stock appreciation right agreements adopted by the plan administrator. The plan administrator determines the strike price for a stock appreciation right, which generally cannot be less than 100% of the fair market value of our Class A common stock on the date of grant. A stock appreciation right granted under the 2020 Plan vests at the rate specified in the stock appreciation right agreement as determined by the plan administrator. Stock appreciation rights may be settled in cash or shares of our Class A common stock or in any other form of payment, as determined by our board of directors and specified in the stock appreciation right agreement.

The plan administrator determines the term of stock appreciation rights granted under the 2020 Plan, up to a maximum of 10 years. If a participant's service relationship with us or any of our affiliates ceases for any reason other than cause, disability, or death, the participant may generally exercise any vested stock appreciation right for a period of three months following the cessation of service. This period may be further extended in the event that exercise of the stock appreciation right following such a termination of service is prohibited by applicable securities laws. If a participant's service relationship with us, or any of our affiliates, ceases due to disability or death, or a participant dies within a certain period following cessation of service, the participant or a beneficiary may generally exercise any vested stock appreciation right for a period of 12 months in the event of disability and 18 months in the event of death. In the event of a termination for cause, stock appreciation rights generally terminate immediately upon the occurrence of the event giving rise to the termination of the individual for cause. In no event may a stock appreciation right be exercised beyond the expiration of its term.

*Performance Awards.* The 2020 Plan permits the grant of performance awards that may be settled in stock, cash or other property. Performance awards may be structured so that the stock or cash will be issued or paid only following the achievement of certain pre-established performance goals during a designated performance period. Performance awards that are settled in cash or other property are not required to be valued in whole or in part by reference to, or otherwise based on, our Class A common stock.

The performance goals may be based on any measure of performance selected by our board of directors. The performance goals may be based on company-wide performance or performance of one or more business units, divisions, affiliates, or business segments, and may be either absolute or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise by our board of directors when the performance award is granted, our board of directors will appropriately make adjustments in the method of calculating the attainment of performance goals as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of items that are "unusual" in nature or occur "infrequently" as determined under generally accepted accounting principles; (6) to exclude the dilutive effects of acquisitions or joint ventures; (7) to assume that any portion of our business which is divested achieved performance objectives at targeted levels during the balance of a performance period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of our common stock (both Class A and Class B) by reason of any stock

dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (9) to exclude the effects of stock based compensation and the award of bonuses under our bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; and (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles.

*Other Stock Awards*. The plan administrator may grant other awards based in whole or in part by reference to our Class A common stock. The plan administrator will set the number of shares under the stock award (or cash equivalent) and all other terms and conditions of such awards.

*Non-Employee Director Compensation Limit.* The aggregate value of all compensation granted or paid following the date of this offering to any non-employee director with respect to any calendar year, including awards granted and cash fees paid by us to such non-employee director, will not exceed (1) $650,000 in total value or (2) if such non-employee director is first appointed or elected to our board of directors during such calendar year, $900,000 in total value.

*Changes to Capital Structure.* In the event there is a specified type of change in our capital structure, such as a stock split, reverse stock split, or recapitalization, appropriate adjustments will be made to (1) the class and maximum number of shares reserved for issuance under the 2020 Plan, (2) the class and maximum number of shares by which the share reserve may increase automatically each year, (3) the class and maximum number of shares that may be issued on the exercise of ISOs, and (4) the class and number of shares and exercise price, strike price, or purchase price, if applicable, of all outstanding stock awards.

*Corporate Transactions.* The following applies to stock awards under the 2020 Plan in the event of a corporate transaction (as defined in the 2020 Plan), unless otherwise provided in a participant's stock award agreement or other written agreement with us or one of our affiliates or unless otherwise expressly provided by the plan administrator at the time of grant.

In the event of a corporate transaction, any stock awards outstanding under the 2020 Plan may be assumed, continued or substituted for by any surviving or acquiring corporation (or its parent company), and any reacquisition or repurchase rights held by us with respect to the stock award may be assigned to our successor (or its parent company). If the surviving or acquiring corporation (or its parent company) does not assume, continue or substitute for such stock awards, then (i) with respect to any such stock awards that are held by participants whose continuous service has not terminated prior to the effective time of the corporate transaction, or current participants, the vesting (and exercisability, if applicable) of such stock awards will be accelerated in full (or, in the case of performance awards with multiple vesting levels depending on the level of performance, vesting will accelerate at 100% of the target level) to a date prior to the effective time of the corporate transaction (contingent upon the effectiveness of the corporate transaction), and such stock awards will terminate if not exercised (if applicable) at or prior to the effective time of the corporate transaction, and any reacquisition or repurchase rights held by us with respect to such stock awards will lapse (contingent upon the effectiveness of the corporate transaction), and (ii) any such stock awards that are held by persons other than current participants will terminate if not exercised (if applicable) prior to the effective time of the corporate transaction, except that any reacquisition or repurchase rights held by us with respect to such stock awards will not terminate and may continue to be exercised notwithstanding the corporate transaction.

In the event a stock award will terminate if not exercised prior to the effective time of a corporate transaction, the plan administrator may provide, in its sole discretion, that the holder of such stock award may not exercise such stock award but instead will receive a payment equal in value to the excess (if any) of (i) the per share amount payable to holders of Class A common stock in connection with the corporate transaction, over (ii) any per share exercise price payable by such holder, if applicable. In addition, any escrow, holdback, earn out or similar provisions in the definitive agreement for the corporate transaction may apply to such payment to the same extent and in the same manner as such provisions apply to the holders of our Class A common stock.

*Plan Amendment or Termination.* Our board of directors has the authority to amend, suspend, or terminate our 2020 Plan at any time, provided that such action does not materially impair the existing rights of any participant without such participant's written consent. Certain material amendments also require the approval of our stockholders. No ISOs may be granted after the tenth anniversary of the date our board of directors adopts our 2020 Plan. No stock awards may be granted under our 2020 Plan while it is suspended or after it is terminated.

**2020 Employee Stock Purchase Plan**

Our board of directors adopted the 2020 Employee Stock Purchase Plan, or ESPP, in October 2020 and our stockholders approved the ESPP in October 2020. The ESPP will become effective immediately prior to and contingent upon the date of the underwriting agreement related to this offering. The purpose of the ESPP is to secure the services of new employees, to retain the services of existing employees and to provide incentives for such individuals to exert maximum efforts toward our success and that of our affiliates. The ESPP is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Code.

*Share Reserve.* Following this offering, the ESPP will authorize the issuance of 5,000,000 shares of our common stock pursuant to purchase rights granted to our employees or to employees of any of our designated affiliates. The number of shares of our Class A common stock reserved for issuance will automatically increase on January 1 of each year, from January 1, 2020 through January 1, 2030, by the lesser of (1) 1% of the total number of shares of our Class A common stock and our Class B common stock outstanding on December 31 of the preceding calendar year, and (2) 7,500,000 shares of our Class A common stock; provided, that prior to the date of any such increase, our board of directors may determine that such increase will be less than the amount set forth in clauses (1) and (2).

*Administration.* Our board of directors intends to delegate concurrent authority to administer the ESPP to our compensation committee. The ESPP is implemented through a series of offerings under which eligible employees are granted purchase rights to purchase shares of our Class A common stock on specified dates during such offerings. Under the ESPP, we may specify offerings with durations of not more than 27 months, and may specify shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of our Class A common stock will be purchased for employees participating in the offering. An offering under the ESPP may be terminated under certain circumstances.

*Payroll Deductions.* Generally, all regular employees, including executive officers, employed by us or by any of our designated affiliates, may participate in the ESPP and may contribute, normally through payroll deductions, up to 15% of their earnings (as defined in the ESPP) for the purchase of our Class A common stock under the ESPP. Unless otherwise determined by our board of directors, Class A common stock will be purchased for the accounts of employees participating in the ESPP at a price per share equal to the lower of (a) 85% of the fair market value of a share of our Class A common stock on the first trading date of an offering or (b) 85% of the fair market value of a share of our Class A common stock on the date of purchase.

*Limitations.* Employees may have to satisfy one or more of the following service requirements before participating in the ESPP, as determined by our board of directors, including: (1) being customarily employed for more than 20 hours per week; (2) being customarily employed for more than five months per calendar year; or (3) continuous employment with us or one of our affiliates for a period of time (not to exceed two years). No employee may purchase shares under the ESPP at a rate in excess of $25,000 worth of our common stock based on the fair market value per share of our common stock at the beginning of an offering for each year such a purchase right is outstanding. Finally, no employee will be eligible for the grant of any purchase rights under the ESPP if immediately after such rights are granted, such employee has voting power over 5% or more of our outstanding capital stock measured by vote or value pursuant to Section 424(d) of the Code.

*Changes to Capital Structure.* In the event that there occurs a change in our capital structure through such actions as a stock split, merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or similar transaction, the board of directors will make

appropriate adjustments to (1) the number of shares reserved under the ESPP, (2) the maximum number of shares by which the share reserve may increase automatically each year, (3) the number of shares and purchase price of all outstanding purchase rights and (4) the number of shares that are subject to purchase limits under ongoing offerings.

*Corporate Transactions.* In the event of a corporate transaction (as defined in the ESPP), any then-outstanding rights to purchase our stock under the ESPP may be assumed, continued or substituted for by any surviving or acquiring entity (or its parent company). If the surviving or acquiring entity (or its parent company) elects not to assume, continue or substitute for such purchase rights, then the participants' accumulated payroll contributions will be used to purchase shares of our Class A common stock within 10 business days prior to such corporate transaction, and such purchase rights will terminate immediately.

*ESPP Amendments, Termination.* Our board of directors has the authority to amend or terminate our ESPP, provided that except in certain circumstances such amendment or termination may not materially impair any outstanding purchase rights without the holder's consent. We will obtain stockholder approval of any amendment to our ESPP to the extent required by applicable law or listing requirements.

**Rule 10b5-1 Sales Plans**

Our directors and executive officers may adopt written plans, known as Rule 10b5-1 plans, in which they will contract with a broker to buy or sell shares of our Class A common stock or Class B common stock on a periodic basis. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the director or executive officer when entering into the plan, without further direction from them. The director or executive officer may amend a Rule 10b5-1 plan in some circumstances and may terminate a plan at any time. Our directors and executive officers also may buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material nonpublic information subject to compliance with the terms of our insider trading policy. Prior to 180 days after the date of this offering, subject to early termination, the sale of any shares under such plan would be subject to the lock-up agreement that the director or executive officer has entered into with the underwriters.

**Limitations of Liability and Indemnification Matters**

On the completion of this offering, our amended and restated certificate of incorporation will contain provisions that limit the liability of our current and former directors for monetary damages to the fullest extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to the corporation or its stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

Such limitation of liability does not apply to liabilities arising under federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our amended and restated certificate of incorporation that will be in effect on the completion of this offering will authorize us to indemnify our directors, officers, employees and other agents to the fullest extent permitted by Delaware law. Our amended and restated bylaws that will be in effect on the completion of this offering will provide that we are required to indemnify our directors and officers to the fullest extent permitted by Delaware law and may indemnify our other employees and agents. Our amended and restated bylaws that will be in effect on the completion of this offering will also provide that, on satisfaction of certain conditions, we will advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding, and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising

out of his or her actions in that capacity regardless of whether we would otherwise be permitted to indemnify him or her under the provisions of Delaware law. We have entered and expect to continue to enter into agreements to indemnify our directors and executive officers. With certain exceptions, these agreements provide for indemnification for related expenses including attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in connection with any action, proceeding or investigation. We believe that these amended and restated certificate of incorporation and amended and restated bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain customary directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted for directors, executive officers or persons controlling us, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Other than compensation arrangements for our directors and executive officers, which are described elsewhere in this prospectus, below we describe transactions since January 1, 2017 and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amounts involved exceeded or will exceed $120,000; and
- any of our directors, executive officers or holders of more than 5% of our outstanding capital stock, or any immediate family member of, or person sharing the household with, any of these individuals or entities, had or will have a direct or indirect material interest.

### Series E Preferred Stock Financing

In September 2019, we sold an aggregate of 21,224,214 shares of our Series E redeemable convertible preferred stock at a purchase price of $16.4906 per share to a total of fourteen accredited investors for an aggregate purchase price of approximately $350.0 million, and issued 1,284,653 shares of our Series E-1 redeemable convertible preferred stock to one accredited investor upon conversion of a simple agreement for future equity in the aggregate amount of $10.0 million. None of the purchasers of our Series E-1 redeemable convertible preferred stock were related persons. The following table summarizes purchases of our Series E redeemable convertible preferred stock by related persons:

| Stockholder | Shares of Series E Redeemable Convertible Preferred Stock | Total Purchase Price |
|---|---|---|
| Entities affiliated with Ribbit Capital[1] | 4,548,046 | $ 75,000,007 |
| Entities affiliated with Drive Capital[2] | 3,032,030 | $ 49,999,994 |
| Entities affiliated with Tiger Global[3] | 606,406 | $ 9,999,999 |
| Entities affiliated with Redpoint Ventures[4] | 303,203 | $ 4,999,999 |

(1) Entities associated with Ribbit Capital holding our securities whose shares are aggregated for purposes of reporting share ownership information are Ribbit Capital IV, L.P., for itself and as nominee for Ribbit Founder Fund IV, L.P., and RT-E Ribbit Opportunity IV, LLC. Nick Shalek, a member of our board of directors, is a General Partner at Ribbit Capital.
(2) Entities associated with Drive Capital holding our securities whose shares are aggregated for purposes of reporting share ownership information are Drive Capital Overdrive Fund I, L.P., Drive Capital Overdrive Fund I (TE), L.P. and Drive Overdrive Ignition Fund I, L.P. Christopher Olsen, a member of our board of directors, is a Partner at Drive Capital.
(3) Entities associated with Tiger Global holding our securities whose shares are aggregated for purposes of reporting share ownership information are Tiger Global Private Investment Partners XI, L.P. and Alex Cook.
(4) Entities associated with Redpoint Ventures holding our securities whose shares are aggregated for purposes of reporting share ownership information are Redpoint Omega II, L.P. and Redpoint Omega Associates II, LLC. Elliot Geidt, a member of our board of directors, is a Managing Director at Redpoint Ventures.

**Series D Preferred Stock Financing**

In November 2018, we sold an aggregate of 19,339,702 shares of our Series D redeemable convertible preferred stock to a total of seven accredited investors at a purchase price of $5.17071 per share for an aggregate purchase price of approximately $100.0 million. The following table summarizes purchases of our Series D redeemable convertible preferred stock by related persons:

| Stockholder | Shares of Series D Redeemable Convertible Preferred Stock | Total Purchase Price |
|---|---|---|
| Entities affiliated with Redpoint Ventures(1) | 966,985 | $ 4,999,999 |
| Ribbit Capital IV, L.P., for itself and as nominee for Ribbit Founder Fund IV, L.P.(2) | 870,286 | $ 4,499,997 |

(1) Entities associated with Redpoint Ventures holding our securities whose shares are aggregated for purposes of reporting share ownership information are Redpoint Omega II, L.P. and Redpoint Omega Associates II, LLC. Elliot Geidt, a member of our board of directors, is a Managing Director at Redpoint Ventures.
(2) Nick Shalek, a member of our board of directors, is a General Partner at Ribbit Capital.

**Series C Preferred Stock Financing**

In March 2018, we sold an aggregate of 32,265,400 shares of our Series C-1 redeemable convertible preferred stock and 3,100,630 shares of our Series C-2 redeemable convertible preferred stock to a total of eight accredited investors at a purchase price of $1.44206 per share for an aggregate purchase price of approximately $51.0 million. The following table summarizes purchases of our Series C redeemable convertible preferred stock by related persons:

| Stockholder | Shares of Series C-1 Redeemable Convertible Preferred Stock | Shares of Series C-2 Redeemable Convertible Preferred Stock | Total Purchase Price |
|---|---|---|---|
| Entities affiliated with Redpoint Ventures(1) | 13,869,030 | — | $ 19,999,973 |
| Ribbit Capital IV, L.P., for itself and as nominee for Ribbit Founder Fund IV, L.P.(3) | 8,321,420 | — | $ 11,999,987 |
| Entities affiliated with SVB Financial Group(2) | 4,180,610 | 3,100,630 | $ 10,499,985 |

(1) Entities associated with Redpoint Ventures holding our securities whose shares are aggregated for purposes of reporting share ownership information are Redpoint Omega II, L.P. and Redpoint Omega Associates II, LLC. Elliot Geidt, a member of our board of directors, is a Managing Director at Redpoint Ventures.
(2) Entities affiliated with SVB Financial Group holding our securities whose shares are aggregated for purposes of reporting share ownership information are Capital Partners III, L.P., Venture Overage Fund, L.P., SVB Financial Group.
(3) Nick Shalek, a member of our board of directors, is a General Partner at Ribbit Capital.

**Third-Party Tender Offers**

In January 2020, we entered into an investment agreement with SUM-XVII Holdings Limited, pursuant to which we agreed to waive certain transfer restrictions in connection with, and assist in the administration of, a tender offer that the investor proposed to commence. In January 2020, SUM-XVII Holdings Limited commenced a tender offer to purchase shares of our capital stock from certain of our stockholders at a price of $16.4906 per share, less transaction costs, pursuant to an offer to purchase to which we were not a party. An aggregate of approximately 2,900,000 shares of our capital stock were tendered pursuant to the tender offer for an aggregate purchase price of approximately $47.7 million.

Alexander Timm, our Chief Executive Officer, Daniel Rosenthal, our Chief Financial Officer, and Doug Ulman each of whom is a member of our board of directors, and Daniel Manges, our Chief Technology Officer, who is one of our other executive officers, and certain other of our employees sold shares of our capital stock in the tender offer.

In January 2019, we entered into a Participation Agreement with Tiger Global Private Investment Partners XI, L.P., an affiliate of Tiger Global Management, LFX Capital L.L.C., and Alex Cook, pursuant to which we agreed to waive certain transfer restrictions in connection with, and assist in the administration of, a tender offer that such investors proposed to commence. In January 2019, these investors commenced a tender offer to purchase shares of our capital stock from certain of our stockholders at a price of $7.76 per share, less transaction costs, pursuant to an offer to purchase to which we were not a party. An aggregate of approximately 2,100,000 shares of our capital stock were tendered pursuant to the tender offer for an aggregate purchase price of approximately $16.0 million. Tiger Global Investment Partners XI, L.P. is a beneficial holder of more than 5% of our outstanding capital stock.

Alexander Timm, our Chief Executive Officer and director, and Daniel Manges, our Chief Technology Officer, who are two of our executive officers, and certain other of our employees sold shares of our capital stock in the tender offer.

**Silicon Valley Bank Warrants**

In July 2016, we issued to Silicon Valley Bank, or SVB, an affiliate of SVB Financial Group, a warrant to purchase 500,000 shares of our Series A-3 redeemable convertible preferred stock at an exercise price of $0.28714 per share in connection with a loan and security agreement with SVB. In December 2017, we issued to SVB a warrant to purchase 97,960 shares of our Series B redeemable convertible preferred stock at an exercise price of $0.81141 per share in connection with the amendment of a loan and security agreement with SVB.

**Beecherhill, LLC**

From December 2018 to September 2020, we paid a total of $223,624 to Beecherhill, LLC, or Beecherhill, an executive search firm, for services. Cindy Hilsheimer, the spouse of our director Larry Hilsheimer, is the managing member of Beecherhill.

**Investors' Rights Agreement**

We are party to an amended and restated investors' rights agreement, or IRA, with certain holders of our capital stock, including entities affiliated with SVB Financial Group, entities affiliated with Drive Capital, entities affiliated with Tiger Global, entities affiliated with Ribbit Capital and entities affiliated with Redpoint Ventures, as well as other holders of our redeemable convertible preferred stock. The IRA provides the holders of our redeemable convertible preferred stock with certain registration rights, including the right to demand that we file a registration statement or request that their shares be covered by a registration statement that we are otherwise filing. The IRA also provides these stockholders with information rights, which will terminate on the completion of this offering, and a right of first refusal with regard to certain issuances of our capital stock, which will not apply to, and will terminate on, the completion of, this offering. In connection with this offering, the holders of up to 165,148,157 shares of our Class B common stock issuable on conversion of outstanding redeemable convertible preferred stock and exercise of certain warrants, are entitled to, and the necessary percentage of holders waived, their rights with respect to the registration of their shares under the Securities Act under this agreement. For a description of these registration rights, see the section titled "Description of Capital Stock—Registration Rights".

**Right of First Refusal**

Pursuant to our equity compensation plans and certain agreements with our stockholders, including a right of first refusal and co-sale agreement with certain holders of our capital stock, including Alexander Timm, Daniel Manges, entities affiliated with SVB Financial Group, entities affiliated with Drive Capital, entities affiliated with Tiger Global, entities affiliated with Ribbit Capital and entities affiliated with Redpoint Ventures, we or our assignees have a right to purchase shares of our capital stock which stockholders propose to sell to other parties. This right will terminate upon the completion of this offering.

**Indemnification Agreements**

Our amended and restated certificate of incorporation that will be in effect on the completion of this offering will contain provisions limiting the liability of directors, and our amended and restated bylaws that will be in effect

on the completion of this offering will provide that we will indemnify each of our directors and officers to the fullest extent permitted under Delaware law. Our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect on the completion of this offering will also provide our board of directors with discretion to indemnify our employees and other agents when determined appropriate by the board. In addition, we have entered into an indemnification agreement with each of our directors and executive officers, which requires us to indemnify them. For more information regarding these agreements, see the section titled "Executive Compensation—Limitations of Liability and Indemnification Matters".

**Employment Agreements**

We have entered into employment agreements with our executive officers. For more information regarding employment agreements with our named executive officers, see the section titled "Executive Compensation—Employment Agreements".

**Loans to Executive Officers**

In July 2018, we entered into partial recourse promissory notes with each of Alexander Timm, our Chief Executive Officer and director, and Daniel Manges, our Chief Technology Officer, in the aggregate principal amounts of $1.8 million and $1.2 million, respectively, and each with a 2.87% annual interest rate that compounded annually. In October 2020, we forgave all of the principal and interest under these notes, and agreed to pay Messrs. Timm and Manges a bonus to offset the tax consequences associated with the loan forgiveness.

**Policies and Procedures for Related Person Transactions**

Prior to the completion of this offering, our board of directors will adopt a related person transaction policy setting forth the policies and procedures for the identification, review and approval or ratification of related person transactions. This policy covers, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we and a related person were or will be participants and the amount involved exceeds $120,000, including purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness and guarantees of indebtedness. In reviewing and approving any such transactions, our audit committee will consider all relevant facts and circumstances as appropriate, such as the purpose of the transaction, the availability of other sources of comparable products or services, whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction, management's recommendation with respect to the proposed related person transaction, and the extent of the related person's interest in the transaction.

## PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our capital stock as of August 31, 2020, and as adjusted to reflect the sale of our Class A common stock offered by us in this offering and the concurrent private placements assuming no exercise of the underwriters' option to purchase additional shares, for:

- each of our named executive officers;
- each of our directors;
- all of our executive officers and directors as a group;
- each person or group of affiliated persons known by us to beneficially own more than 5% of our Class A common stock and Class B common stock; and
- the selling stockholder, which is indicated by the stockholder shown as having shares listed in the "Shares Being Offered" column.

We have determined beneficial ownership in accordance with the rules and regulations of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Except as indicated by the footnotes below, we believe, based on information furnished to us, that the persons and entities named in the table below have sole voting and sole investment power with respect to all shares that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership before the offering is based on no shares of Class A common stock and 207,477,848 shares of Class B common stock outstanding as of August 31, 2020, assuming (i) the automatic conversion of all outstanding shares of our redeemable convertible preferred stock into an equal number of shares of Class B common stock upon the closing of this offering and (ii) the automatic net exercise of an outstanding warrant to purchase 2,778,608 shares of our Class B common stock with an exercise price of $0.0001 per share, resulting in the issuance of 2,778,596 shares of our Class B common stock and (iii) the net exercise of warrants to purchase an aggregate of 597,960 shares of our Class B common stock with a weighted-average exercise price of $0.3730 per share, resulting in the issuance of 588,467 shares of our Class B common stock. Applicable percentage ownership after the offering is based on 45,441,109 shares of Class A common stock and 205,313,333 shares of Class B common stock outstanding immediately after the completion of this offering and the concurrent private placements, assuming no exercise by the underwriters of their option to purchase additional shares of Class A common stock and excluding any potential purchases in this offering by the persons and entities named in the table below. In computing the number of shares beneficially owned by a person and the percentage ownership of such person, we deemed to be outstanding all shares subject to options held by the person that are currently exercisable, or exercisable within 60 days of August 31, 2020. However, except as described above, we did not deem such shares outstanding for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each beneficial owner listed below is c/o Root, Inc., 80 E. Rich Street, Suite 500, Columbus, OH 43215.

| | Shares Beneficially Owned Prior to Offering | | | | | | Shares Beneficially Owned After Offering | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Class A Common Stock | | Class B Common Stock | | % of Total Voting Power Before the Offering | Shares Being Offered | Class A Common Stock | | Class B Common Stock | | % of Total Voting Power After the Offering[1] |
| Name of Beneficial Owner | Shares | % | Shares | % | | | Shares | % | Shares | % | |
| ***5% Stockholders*** | | | | | | | | | | | |
| Entities affiliated with Drive Capital[2] | — | * | 54,210,440 | 26.1 % | 26.1 % | | — | * | 54,210,440 | 21.6 % | 25.8 % |
| Entities affiliated with Ribbit Capital[3] | — | * | 33,732,382 | 16.3 % | 16.3 % | | — | * | 33,732,382 | 13.5 % | 16.1 % |
| Entities affiliated with Tiger Global[4] | — | * | 21,007,141 | 10.1 % | 10.1 % | | — | * | 21,007,141 | 8.4 % | 10.0 % |
| Entities affiliated with SVB Financial Group[5] | — | * | 16,258,740 | 7.8 % | 7.8 % | 2,164,515 | — | * | 14,094,225 | 5.6 % | 6.7 % |
| Entities affiliated with Redpoint Ventures[6] | — | * | 15,139,218 | 7.3 % | 7.3 % | | — | * | 15,139,218 | 6.0 % | 7.2 % |
| ***Directors and Named Executive Officers*** | | | | | | | | | | | |
| Alexander Timm[7] | — | * | 19,209,353 | 9.3 % | 9.3 % | | — | * | 19,209,353 | 7.7 % | 9.2 % |
| Daniel Rosenthal[8] | — | * | 2,468,255 | 1.2 % | 1.2 % | | — | * | 2,468,255 | 1.0 % | 1.2 % |
| Daniel Manges[9] | — | * | 12,807,969 | 6.2 % | 6.2 % | | — | * | 12,807,969 | 5.1 % | 6.1 % |
| Elliot Geidt[6] | — | * | 15,139,218 | 7.3 % | 7.3 % | | — | * | 15,139,218 | 6.0 % | 7.2 % |
| Nancy Kramer | — | * | 75,000 | * | * | | — | * | 75,000 | * | * |
| Christopher Olsen[2] | — | * | 54,210,440 | 26.2 % | 26.2 % | | — | * | 54,210,440 | 21.6 % | 25.8 % |
| Nick Shalek[3] | — | * | 33,732,382 | 16.3 % | 16.3 % | | — | * | 33,732,382 | 13.5 % | 16.1 % |
| Doug Ulman[10] | — | * | 881,251 | * | * | | — | * | 881,251 | * | * |
| Larry Hilsheimer | — | * | 100,000 | * | * | | — | * | 100,000 | * | * |
| Jerri DeVard | — | * | — | * | * | | — | * | — | * | * |
| Luis von Ahn | — | * | — | * | * | | — | * | — | * | * |
| Scott Maw | — | * | — | * | * | | — | * | — | * | * |
| All directors and executive officers as a group[11] (12 persons) | — | * | 138,623,868 | 66.3 % | 66.3 % | | — | * | 138,623,868 | 54.9 % | 66.2 % |

* Represents beneficial ownership of less than 1%.

(1) Percentage of total voting power represents voting power with respect to all shares of our Class A common stock and Class B common stock, as a single class. The holders of our Class B common stock are entitled to ten votes per share, and holders of our Class A common stock are entitled to one vote per share. See the section titled "Description of Capital Stock—Class A Common Stock and Class B Common Stock" for additional information about the voting rights of our Class A common stock and Class B common stock.

(2) Consists of (a) 51,178,410 shares of Class B common stock held by DC I Investment LLC, or DC I, and (b)(i) 978,891 shares of Class B common stock held by Drive Capital Overdrive Fund I (TE), L.P., or DC Overdrive (TE), (ii) 2,024,456 shares of Class B common stock held by Drive Capital Overdrive Fund I, L.P., or DC Overdrive, and (iii) 28,683 shares of Class B common stock held by Drive Capital Overdrive Ignition Fund I, L.P., or DC Overdrive Ignition, or collectively, the Overdrive Funds. Drive Capital Fund I, L.P., or Fund I, is the majority member of DC I, and Drive Capital I (GP), LLC, or GP LLC, serves as the general partner of Fund I. An investment committee of GP LLC comprised of Christopher Olsen and Mark D. Kvamme controls all voting and investment decisions with respect to Fund I; however, with respect to the shares held by DC I, Christopher Olsen controls all voting and investment decisions pursuant to irrevocable proxy granted by Mark D. Kvamme. Drive Capital Overdrive I (GP), LLC, or GP Overdrive LLC, serves as the general partner of the Overdrive Funds. An investment committee of GP Overdrive LLC comprised of Christopher Olsen and Mark D. Kvamme controls all voting and investment decisions with respect to the Overdrive Funds, including with respect to the shares held by the Overdrive Funds. Christopher Olsen and Mark D. Kvamme control other voting matters related to GP Overdrive LLC through control of its manager, Drive Capital, LLC. The address of each of these entities is 629 N. High St 6th Fl, Columbus, Ohio 43215.

(3) Consists of (i) 29,487,539 shares of Class B common stock held by Ribbit Capital IV, L.P,. for itself and as nominee for Ribbit Founder Fund IV, L.P., or Ribbit Capital IV, and (ii) 4,244,843 shares of Class B common stock held by RT-E Ribbit Opportunity IV, LLC, or Ribbit RT-E. Meyer Malka is the sole director of Ribbit Capital GP IV, Ltd., which is the general partner of Ribbit Capital GP VI, L.P., which is both the general partner of Ribbit Capital IV and the managing member of Ribbit RT-E, and as such, Mr. Malka may be deemed to hold voting and investment power with respect to the shares held by Ribbit Capital IV and Ribbit RT-E. The principal office address of each of these entities is 364 University Avenue, Palo Alto, California 94301.

(4) Consists of 21,007,141 shares of Class B common stock held by Tiger Global Private Investment Partners XI, L.P., or Tiger Global PIP XI, and an affiliate of Tiger Global Management, LLC, or Tiger Global. Tiger Global is the investment advisor of Tiger PIP XI and is controlled by Chase Coleman and Scott Shleifer, and as such Messrs. Coleman and Shleifer may be deemed to beneficially own the shares held by these entities. Such parties have granted a proxy to Alexander Timm, our chief executive officer, with respect to any shares exceeding the minimum voting power deemed to constitute control under the applicable insurance laws and regulations of our state of

domicile. The address for each of these entities and individuals is c/o Tiger Global Management, LLC, 9 West 57th Street, 35th Floor, New York, New York 10019.

(5) Consists of (i) 12,540,250 shares of Class B common stock held by Capital Partners III, L.P., (ii) 3,120,530 shares of Class B common stock held by Venture Overage Fund, L.P. and (iii) 597,960 shares of Class B common stock issuable to SVB Financial Group pursuant to warrants exercisable within 60 days of August 31, 2020. SVB Financial Group is the managing member of SVB Capital Partners III, LLC, the general partner of Capital Partners III, L.P. and is also the managing member of SVB Capital Venture Overage, LLC, which is general partner of Venture Overage Fund, L.P. SVB Financial Group is a reporting company listed on the Nasdaq Global Select Market. Certain employees of Silicon Valley Bank, a wholly-owned subsidiary of SVB Financial Group, have voting and dispositive power over the shares held by Capital Partners III, L.P., Venture Overage Fund, L.P. and SVB Financial Group. Capital Partners III, L.P., Venture Overage Fund, L.P. and SVB Financial Group are affiliates of two broker dealers. At the time of issuance, each of Capital Partners III, L.P., Venture Overage Fund, L.P. and SVB Financial Group represented to us that each entity acquired the securities as the result of an investment, in the ordinary course of business and, at the time of the receipt of shares, had no agreements or understandings, directly or indirectly, with any person to distribute the shares. The address of SVB Financial Group's headquarters is 3003 Tasman Drive, Santa Clara, California 95054. The address of Capital Partners III, L.P. and Venture Overage Fund, L.P. is 770 Sand Hill Road, Menlo Park, California 94025.

(6) Consists of shares of (i) 14,685,053 shares of Class B common stock held by Redpoint Omega II, L.P., or RO II, and (ii) 454,165 shares of Class B common stock held by Redpoint Omega Associates II, LLC, or ROA II. Redpoint Omega II, LLC, or RO II LLC, is the sole general partner of RO II. Voting and dispositive decisions with respect to the shares held by RO II and ROA II are made by the following members of RO II LLC and ROA II: W. Allen Beasley, Jeffrey D. Brody, Satish Dharmaraj, R. Thomas Dyal, Elliot Geidt, Timothy M. Haley, Christopher B. Moore, Scott C. Raney, John L. Walecka and Geoffrey Y. Yang. The address for the entities affiliated with Redpoint is 3000 Sand Hill Road, Building 2, Suite 290, Menlo Park, CA 94025.

(7) Consists of 19,209,354 shares of Class B common stock held by Alexander Timm, of which 2,538,335 shares may be repurchased by us at the original purchase price as of August 31, 2020. Subsequent to August 31, 2020, Mr. Timm transferred 1,920,935 of such shares to the Timm 2020 GRAT and 194,250 of such shares to the Timm Descendants Trust, each of which is a trust for the benefit of Mr. Timm and his immediate family.

(8) Consists of (i) 954,291 shares of Class B common stock held by Daniel Rosenthal, of which 305,354 shares may be repurchased by us at the original purchase price as of August 31, 2020, and (ii) 1,513,964 shares of Class B common stock issuable to Daniel Rosenthal pursuant to options exercisable within 60 days of August 31, 2020, none of which are vested as of such date. Subsequent to August 31, 2020, Mr. Rosenthal transferred 340,247 of such shares to the 2020 Daniel H. Rosenthal Family Trust and 304,237 of such shares to his spouse.

(9) Consists of (i) 1,740,572 shares of Class B common stock held by Daniel Manges, of which 1,523,001 may be repurchased by us at the original purchase price as of August 31, 2020, and (ii) 11,067,397 shares of Class B common stock held by the Manges Trust dated January 27, 2016.

(10) Consists of (i) 172,911 shares of Class B common stock held by Doug Ulman, and (ii) 708,340 shares of Class B common stock issuable to Doug Ulman pursuant to options exercisable within 60 days of August 31, 2020, all of which are vested as of such date.

(11) Consists of (i) 136,226,564 shares of Class B common stock beneficially owned by our current executive officers and directors, of which 4,366,590 may be repurchased by us at the original purchase price as of August 31, 2020, and (ii) 2,297,304 shares of Class B common stock issuable pursuant to options exercisable within 60 days of August 31, 2020, of which 708,340 shares are vested as of such date.

## DESCRIPTION OF CAPITAL STOCK

### General

The following is a summary of the rights of our capital stock and some of the provisions of our amended and restated certificate of incorporation and amended and restated bylaws, which will each become effective upon the completion of this offering, the investors' rights agreement and relevant provisions of Delaware General Corporation Law. The descriptions herein are qualified in their entirety by our amended and restated certificate of incorporation, amended and restated bylaws and investors' rights agreement, copies of which have been filed as exhibits to the registration statement of which this prospectus is a part, as well as the relevant provisions of Delaware General Corporation Law.

Upon the completion of this offering, our amended and restated certificate of incorporation will provide for two classes of common stock: Class A common stock and Class B common stock. In addition, our amended and restated certificate of incorporation that will be in effect on the completion of this offering will authorize shares of undesignated preferred stock, the rights, preferences and privileges of which may be designated from time to time by our board of directors.

Upon the closing of this offering, our authorized capital stock will consist of 1,369,000,000 shares, all with a par value of $0.0001 per share, of which:

- 1,000,000,000 shares are designated as Class A common stock;
- 269,000,000 shares are designated as Class B common stock; and
- 100,000,000 shares are designated as preferred stock.

As of June 30, 2020, we had outstanding:

- no shares of Class A common stock; and
- 206,573,213 shares of Class B common stock, which assumes the automatic conversion of 161,781,094 outstanding shares of redeemable convertible preferred stock into the same number of shares of Class B common stock, which will occur immediately prior to the completion of this offering.

Our outstanding capital stock was held by 127 stockholders of record as of June 30, 2020. All authorized but unissued shares of our capital stock will be available for issuance by our board of directors without any further stockholder action, except as required by the listing standards of Nasdaq.

### Class A Common Stock and Class B Common Stock

#### Voting Rights

Holders of Class A common stock will be entitled to one vote per share on all matters to be voted upon by the stockholders. Holders of Class B common stock will be entitled to ten votes per share on all matters to be voted upon by the stockholders. The holders of our Class A common stock and Class B common stock will generally vote together as a single class on all matters submitted to a vote of our stockholders (including the election of directors), unless otherwise required by Delaware law or our amended and restated certificate of incorporation.

Our amended and restated certificate of incorporation that will be in effect on the completion of this offering will not provide for cumulative voting for the election of directors.

#### Dividend Rights

Holders of Class A common stock and Class B common stock will be entitled to ratably receive dividends if, as, and when declared from time to time by our board of directors at its own discretion out of funds legally available for that purpose, after payment of dividends required to be paid on outstanding preferred stock, if any. Under Delaware law, we can only pay dividends either out of "surplus" or out of the current or the immediately preceding year's net

profits. Surplus is defined as the excess, if any, at any given time, of the total assets of a corporation over its total liabilities and statutory capital. The value of a corporation's assets can be measured in a number of ways and may not necessarily equal their book value.

Applicable insurance laws restrict the ability of our insurance subsidiary to declare stockholder dividends and require insurance companies to maintain specified levels of statutory capital and surplus. Insurance regulators have broad powers to prevent reduction of statutory surplus to inadequate levels, and there is no assurance that dividends of the maximum amounts calculated under any applicable formula would be permitted. State insurance regulatory authorities that have jurisdiction over the payment of dividends by our insurance subsidiary may in the future adopt statutory provisions more restrictive than those currently in effect.

**Right to Receive Liquidation Distributions**

Upon our dissolution, liquidation, or winding-up, the assets legally available for distribution to our stockholders are distributable ratably among the holders of our Class A common stock and Class B common stock, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock, unless a different treatment is approved by the affirmative vote of the holders of a majority of the outstanding shares of such affected class, voting separately as a class.

**Subdivisions and Combinations**

If we subdivide or combine in any manner outstanding shares of Class A common stock or Class B common stock, the outstanding shares of the other classes will be subdivided or combined in the same manner.

**Other Matters**

Our Class A common stock and Class B common stock are not entitled to preemptive rights, and are not subject to conversion, redemption or sinking fund provisions, except for the conversion provisions with respect to the Class B common stock described below. All outstanding shares of our common stock will be fully paid and non-assessable, and the shares of our common stock offered in this offering, upon payment and delivery in accordance with the underwriting agreement, will be fully paid and non-assessable.

**Conversion**

Each outstanding share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. After the completion of this offering, on any transfer of shares of Class B common stock, whether or not for value, each such transferred share will automatically convert into one share of Class A common stock, except for certain transfers described in our amended and restated certificate of incorporation that will be in effect on the completion of this offering, including transfers for tax and estate planning purposes, so long as the transferring holder continues to hold sole voting and dispositive power with respect to the shares transferred.

Any holder's shares of Class B common stock will convert automatically into Class A common stock, on a one-to-one basis, upon the following: (1) sale or transfer of such share of Class B common stock; (2) the death of the Class B common stockholder; and (3) on the final conversion date, defined as the earliest of (a) the first trading day falling nine months after the date on which the outstanding shares of Class B common stock represent less than 10% of the aggregate number of shares then outstanding of Class A common stock and Class B common stock; (b) the tenth anniversary of effectiveness under the Delaware General Corporation Law of the amended and restated certificate of incorporation immediately prior to this offering, and (c) the date specified by the holders of a majority of then-outstanding shares of Class B common stock, voting together as a single class. For so long as shares of Class B common stock remain outstanding and represent more than 9.1% of the aggregate number of outstanding share of Class A common stock and Class B common stock, the aggregate voting power of the Class B common stock will exceed the aggregate voting power of the Class A common stock.

To calculate pro forma as adjusted net tangible book value per share as described in the section titled "Dilution" above, we divide our pro forma net tangible book value by outstanding Class A and Class B common stock.

Therefore, the conversion of Class B common stock to Class A common stock will not result in additional dilution to new investors. See the section titled "Dilution" for additional information.

Once transferred and converted into Class A common stock, the Class B common stock may not be reissued.

**Fully-Paid and Non-Assessable**

In connection with this offering, our legal counsel will opine that the shares of our Class A common stock to be issued under this offering will be fully paid and non-assessable.

**Preferred Stock**

As of June 30, 2020, there were 161,781,094 shares of redeemable convertible preferred stock outstanding. Upon the completion of this offering, our board of directors may, without further action by our stockholders, fix the rights, preferences, privileges and restrictions of up to an aggregate of 100,000,000 shares of preferred stock in one or more series and authorize their issuance. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of our Class A common stock or Class B common stock. The issuance of our preferred stock could adversely affect the voting power of holders of our Class B common stock, and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control or other corporate action. Upon the closing of this offering, no shares of preferred stock will be outstanding, and we have no present plan to issue any shares of preferred stock.

**Options**

As of June 30, 2020, we had outstanding options under our equity compensation plans to purchase an aggregate of 11,958,503 shares of our Class B common stock, with a weighted-average exercise price of $1.6785 per share.

**Warrants**

As of June 30, 2020, we had outstanding (i) one warrant to purchase 2,778,608 shares of our Class B common stock with an exercise price of $0.0001 per share, which will automatically net exercise in connection with the completion of this offering; (ii) one warrant to purchase 97,960 shares of our Series B redeemable convertible preferred stock with an exercise price of $0.81141 per share and (iii) 500,000 shares of our Series A-3 redeemable convertible preferred stock with an exercise price of $0.28714 per share. Upon the closing of this offering, certain of these warrants may remain outstanding.

Each of the above warrants has a net exercise provision under which the holder may, in lieu of payment of the exercise price in cash, surrender the warrant and receive a net amount of shares based on the fair market value of our common stock at the time of the net exercise of the warrant after deduction of the aggregate exercise price. These warrants also contain provisions for the adjustment of the exercise price and the aggregate number of shares issuable upon the exercise of the warrants in the event of stock dividends, stock splits, reorganizations and reclassifications and consolidations.

**Restricted Stock Units**

As of June 30, 2020, we had outstanding 84,051 shares of our Class B common stock subject to RSUs under our 2015 Plan. Our outstanding RSUs will generally vest upon the satisfaction of both a time-based condition and a performance-based condition. For the majority of our outstanding RSUs under our 2015 Plan, the time-based condition will be satisfied in sixteen successive equal quarterly installments, with one quarter vesting on the first anniversary of the vesting commencement date, subject to continued service through each such vesting date. The performance-based condition for the RSUs will be satisfied on the earlier of (i) the effective date of the registration statement of which this prospectus forms a part; and (ii) the date of a change in control.

**Registration Rights**

We are party to an amended and restated investors' rights agreement that provides that certain holders of our redeemable convertible preferred stock, including certain holders of at least 1% of our outstanding capital stock, have certain registration rights as set forth below. The registration of shares of our common stock by the exercise of registration rights described below would enable the holders to sell these shares without restriction under the Securities Act when the applicable registration statement is declared effective. We will pay the registration expenses, other than underwriting discounts and commissions, of the shares registered by the demand, piggyback and Form S-3 registrations described below.

Generally, in an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of shares such holders may include. The demand, piggyback and Form S-3 registration rights described below will expire five years after the closing of this offering, of which this prospectus is a part, or with respect to any particular stockholder, such time after the closing of this offering that such stockholder can sell all of its shares entitled to registration rights under Rule 144 of the Securities Act during any 90-day period.

**Demand Registration Rights**

The holders of an aggregate of 162,983,642 shares of our Class B common stock will be entitled to certain demand registration rights. At any time beginning the 180 days after the completion of this offering, certain holders of these shares may request that we register all or a portion of the registrable shares. We are obligated to effect only two such registrations. Such request for registration must cover shares with an anticipated aggregate offering price, before deduction of underwriting discounts and commissions, of at least $10 million.

**Piggyback Registration Rights**

In connection with this offering, the holders of an aggregate of 165,148,157 shares of our Class B common stock were entitled to, and the necessary percentage of holders waived, their rights to notice of this offering and to include their shares of registrable securities in this offering. After this offering and the concurrent private placements, in the event that we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders, the holders of 184,260,236 shares will be entitled to certain piggyback registration rights allowing the holder to include their shares in such registration, subject to certain marketing and other limitations. As a result, whenever we propose to file a registration statement under the Securities Act, other than with respect to a registration relating to (i) any employee benefit plan, (ii) the offer and sale of debt securities or the stock issuable upon conversion thereof, or (iii) any corporate reorganization or transaction under Rule 145 of the Securities Act, including any registration statements related to the issuance or resale of securities issued in such a transaction, the holders of these shares are entitled to notice of the registration and have the right to include their shares in the registration, subject to limitations that the underwriters may impose on the number of shares included in the offering.

**Form S-3 Registration Rights**

The holders of an aggregate of 162,983,642 shares of Class B common stock will be entitled to certain Form S-3 registration rights. The holders of these shares can make a request that we register their shares on Form S-3 if we are qualified to file a registration statement on Form S-3 and if the reasonably anticipated aggregate gross proceeds of the shares offered would equal or exceed $1 million. We will not be required to effect more than two registrations on Form S-3 within any 12-month period.

**Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws**

Some provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws contain or will contain provisions that could make the following transactions more difficult: an acquisition of us by means of a tender offer; an acquisition of us by means of a proxy contest or otherwise; or the removal of our incumbent officers and directors. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions which provide for payment of a premium over the market price for our shares.

These provisions, summarized below, are intended to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of the increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because negotiation of these proposals could result in an improvement of their terms.

**Stockholder Meetings**

Our amended and restated bylaws will provide that a special meeting of stockholders may be called only by our chairman of the board, chief executive officer or president, or by a resolution adopted by a majority of our board of directors.

**Requirements for Advance Notification of Stockholder Nominations and Proposals**

Our amended and restated bylaws will establish advance notice procedures with respect to stockholder proposals to be brought before a stockholder meeting and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors.

**Elimination of Stockholder Action by Written Consent**

Our amended and restated certificate of incorporation and amended and restated bylaws will eliminate the right of stockholders to act by written consent without a meeting.

**Staggered Board**

Our board of directors will be divided into three classes. The directors in each class will serve for a three-year term, one class being elected each year by our stockholders. For more information on the classified board, see the section titled "Management—Board Composition and Election of Directors". This system of electing and removing directors may tend to discourage a third-party from making a tender offer or otherwise attempting to obtain control of us, because it generally makes it more difficult for stockholders to replace a majority of the directors.

**Removal of Directors**

Our amended and restated certificate of incorporation will provide that no member of our board of directors may be removed from office by our stockholders except for cause and, in addition to any other vote required by law, upon the approval of not less than two thirds of the total voting power of all of our outstanding voting stock then entitled to vote in the election of directors.

**Stockholders Not Entitled to Cumulative Voting**

Our amended and restated certificate of incorporation will not permit stockholders to cumulate their votes in the election of directors. Accordingly, the holders of a majority of the outstanding shares of our Class A common stock and Class B common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they choose, other than any directors that holders of our preferred stock may be entitled to elect.

**Delaware Anti-Takeover Statute**

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits persons deemed to be "interested stockholders" from engaging in a "business combination" with a publicly held Delaware corporation for three years following the date these persons become interested stockholders unless the business combination is, or the transaction in which the person became an interested stockholder was, approved in a prescribed manner or another prescribed exception applies. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation's voting stock. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors.

**Choice of Forum**

Our amended and restated certificate of incorporation to be effective on the completion of this offering will provide that the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) is the sole and exclusive forum for the following claims or causes of action under Delaware statutory or common law: (i) any derivative claim or cause of action brought on our behalf; (ii) any claim or cause of action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers, or other employees to us or our stockholders; (iii) any claim or cause of action against us or any of our current or former directors, officers or other employees arising out of or pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; (iv) any claim or cause of action seeking to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or our amended and restated bylaws (including any right, obligation, or remedy thereunder); (v) any claim or cause of action as to which the Delaware General Corporation Law confers jurisdiction to the Court of Chancery of the State of Delaware; and (vi) any claim or cause of action against us or any of our current or former directors, officers, or other employees that is governed by the internal-affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court having personal jurisdiction over the indispensable parties named as defendants. This choice of forum provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction, or the Securities Act. Our amended and restated certificate of incorporation to be effective on the completion of this offering will further provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. Additionally, our amended and restated certificate of incorporation to be effective on the completion of this offering will provide that any person or entity holding, owning or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to these provisions.

**Amendment of Charter Provisions**

The amendment of any of the above provisions, except for the provision making it possible for our board of directors to issue preferred stock, would require approval by holders of at least two-thirds of the total voting power of all of our outstanding voting stock.

The provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our Class A common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in the composition of our board and management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests. Any person or entity purchasing or otherwise acquiring any interest in our securities shall be deemed to have notice of and consented to this provision. Although we believe this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers. See the section titled “Risk Factors — Risks Related to this Offering and Ownership of Our Class A Common Stock — “Our amended and restated certificate of incorporation that will become effective upon the completion of this offering provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees”.

**Transfer Agent and Registrar**

The transfer agent and registrar for our common stock will be .

**Exchange Listing**

Our common stock is currently not listed on any securities exchange. We have applied to have our common stock listed on Nasdaq under the symbol “ROOT”.

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our Class A common stock. Future sales of substantial amounts of our Class A common stock in the public market, or the perception that such sales may occur, could adversely affect the market price of our Class A common stock. Although we have applied to have our Class A common stock listed on Nasdaq, we cannot assure you that there will be an active public market for our Class A common stock.

Following the completion of this offering, based on the number of shares outstanding as of June 30, 2020 and assuming (1) the issuance of shares of Class A common stock in this offering and the concurrent private placements, (2) the conversion of all outstanding shares of our redeemable convertible preferred stock into shares of our Class B common stock, which will automatically occur immediately prior to the completion of the offering, (3) the issuance of 2,778,596 shares of our Class B common stock as a result of the automatic net exercise of a warrant to purchase 2,778,608 shares of our Class B common stock, based on an assumed initial public offering price of $23.50 per share, the midpoint of the price range set forth on the cover page of this prospectus, (4) the net exercise of warrants to purchase an aggregate of 597,960 shares of our Class B common stock with a weighted-average exercise price of $0.3730 per share, resulting in the issuance of 588,467 shares of our Class B common stock, (5) the filing and effectiveness of our amended and restated certificate of incorporation immediately prior to the completion of this offering, and (6) no exercise of the underwriters' option to purchase additional shares, we will have outstanding an aggregate of approximately 45,441,109 shares of Class A common stock and 204,408,698 shares of Class B common stock.

Of these shares, all shares of Class A common stock sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except for any shares of Class A common stock purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act. Shares purchased by our affiliates would be subject to the Rule 144 resale restrictions described below, other than the holding period requirement.

The remaining outstanding shares of our Class A common stock and Class B common stock will be, and shares underlying outstanding RSUs and shares subject to stock options will be upon issuance, deemed "restricted securities" as defined in Rule 144 under the Securities Act. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or 701 under the Securities Act, each of which is summarized below. We expect that substantially all of these shares will be subject to a 180-day lock-up period under the lock-up agreements and market stand-off agreements described below.

### Lock-Up Agreements

We, along with our directors, executive officers and substantially all of our other stockholders and optionholders, have agreed or will agree with the underwriters that for a period of 180 days, after the date of this prospectus, subject to specified exceptions as detailed further in "Underwriting" below, we or they will not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to sale of, or otherwise dispose of or transfer any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock. Substantially all of our stockholders are subject to a market stand-off agreement with us which imposes similar restrictions.

Upon expiration of the lock-up period, certain of our stockholders will have the right to require us to register their shares under the Securities Act. See the section titled "—Registration Rights" below and "Description of Capital Stock—Registration Rights".

Upon the expiration of the lock-up period, substantially all of the shares subject to such lock-up restrictions will become eligible for sale, subject to the limitations discussed above.

**Rule 144**

**Affiliate Resales of Restricted Securities**

In general, once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a person who is an affiliate of ours, or who was an affiliate at any time during the 90 days before a sale, who has beneficially owned shares of our capital stock for at least six months would be entitled to sell in "broker's transactions" or certain "riskless principal transactions" or to market makers, a number of shares within any three-month period that does not exceed the greater of:

- 1% of the number of shares of our Class A common stock then outstanding, which will equal approximately 487,411 shares immediately after this offering; or
- the average weekly trading volume in our Class A common stock on the Nasdaq during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Affiliate resales under Rule 144 are also subject to the availability of current public information about us. In addition, if the number of shares being sold under Rule 144 by an affiliate during any three-month period exceeds 5,000 shares or has an aggregate sale price in excess of $50,000, the seller must file a notice on Form 144 with the Securities and Exchange Commission and The Nasdaq Stock Market, or Nasdaq, concurrently with either the placing of a sale order with the broker or the execution of a sale directly with a market maker.

**Non-Affiliate Resales of Restricted Securities**

In general, once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a person who is not an affiliate of ours at the time of sale, and has not been an affiliate at any time during the three months preceding a sale, and who has beneficially owned shares of our capital stock for at least six months but less than a year, is entitled to sell such shares subject only to the availability of current public information about us. If such person has held our shares for at least one year, such person can resell under Rule 144(b)(1) without regard to any Rule 144 restrictions, including the 90-day public company requirement and the current public information requirement.

Non-affiliate resales are not subject to the manner of sale, volume limitation or notice filing provisions of Rule 144.

**Rule 701**

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchases shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of a registration statement under the Securities Act is entitled to sell such shares 90 days after such effective date in reliance on Rule 144. Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, beginning 90 days after the date of this prospectus, may be sold by persons other than "affiliates," as defined in Rule 144, subject only to the manner of sale provisions of Rule 144 and by "affiliates" under Rule 144 without compliance with its one-year minimum holding period requirement. However, substantially all Rule 701 shares are subject to lock-up agreements as described below and will become eligible for sale upon the expiration of the restrictions set forth in those agreements.

**Form S-8 Registration Statement**

We intend to file one or more registration statements on Form S-8 under the Securities Act to register all shares of our Class A common stock and Class B common stock subject to outstanding stock options and Class A common stock and Class B common stock issued or issuable under the 2020 Plan and the 2015 Plan, as applicable. We expect to file the registration statement covering shares offered pursuant to these stock plans shortly after the date of this prospectus, permitting the resale of such shares by non-affiliates in the public market without restriction under the Securities Act and the sale by affiliates in the public market subject to compliance with the resale provisions of Rule 144.

**Registration Rights**

As of June 30, 2020, holders of up to 165,148,157 shares of our Class B common stock, which includes all of the shares of Class B common stock issuable upon the automatic conversion of our redeemable convertible preferred stock immediately prior to the completion of this offering, or their transferees, will be entitled to various rights with respect to the registration of these shares under the Securities Act upon the completion of this offering and the expiration of lock-up agreements. Registration of these shares under the Securities Act would result in these shares becoming fully tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates. See the section titled "Description of Capital Stock—Registration Rights" for additional information. Shares covered by a registration statement will be eligible for sale in the public market upon the expiration or release from the terms of the lock-up agreement.

## MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR CLASS A COMMON STOCK

The following is a summary of certain material U.S. federal income tax consequences to non-U.S. holders (as defined below) of the acquisition, ownership and disposition of our Class A common stock issued pursuant to this offering. This discussion is not a complete analysis of all potential U.S. federal income tax consequences relating thereto, does not address the potential application of the Medicare contribution tax on net investment income, and does not address any estate or gift tax consequences or any tax consequences arising under any state, local or non-U.S. tax laws, or any other U.S. federal tax laws. This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, and applicable Treasury Regulations promulgated thereunder, judicial decisions and published rulings and administrative pronouncements of the Internal Revenue Service, or IRS, all as in effect as of the date hereof. These authorities are subject to differing interpretations and may change, possibly retroactively, resulting in U.S. federal income tax consequences different from those discussed below. We have not requested a ruling from the IRS with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS or a court will agree with such statements and conclusions.

This discussion is limited to non-U.S. holders who purchase our Class A common stock pursuant to this offering and who hold our Class A common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a particular holder in light of such holder's particular circumstances. This discussion also does not consider any specific facts or circumstances that may be relevant to holders subject to special rules under the U.S. federal income tax laws, including:

- certain former citizens or long-term residents of the United States;
- partnerships or other entities or arrangements treated as pass-through or disregarded entities for U.S. federal income tax purposes (and investors therein);
- "controlled foreign corporations";
- "passive foreign investment companies";
- corporations that accumulate earnings to avoid U.S. federal income tax;
- banks, financial institutions, investment funds, insurance companies, brokers, dealers or traders in securities;
- tax-exempt organizations and governmental organizations;
- tax-qualified retirement plans;
- "qualified foreign pension funds" as defined in Section 897(l)(2) of the Code and entities all of the interests of which are held by qualified foreign pension funds;
- persons subject to the alternative minimum tax;
- persons that own, or have owned, actually or constructively, more than 5% of our Class A common stock;
- accrual-method taxpayers subject to special tax accounting rules under Section 451(b) of the Code; and
- persons that hold our Class A common stock as part of a hedging or conversion transaction or straddle, or synthetic security, or a constructive sale, or other risk reduction strategy or integrated investment.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds our Class A common stock, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. Partnerships holding our Class A common stock and the partners in such partnerships are urged to consult their tax advisors about the particular U.S. federal income tax consequences to them of holding and disposing of our Class A common stock.

**THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF OUR CLASS A COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR FOREIGN TAX LAWS AND ANY OTHER U.S. FEDERAL TAX LAWS.**

**Definition of Non-U.S. Holder**

For purposes of this discussion, a non-U.S. holder is any beneficial owner of our Class A common stock that is not a "U.S. person" or a partnership (including any entity or arrangement treated as a partnership) for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust (1) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (2) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

**Distributions on Our Class A Common Stock**

We have not paid and do not anticipate paying dividends. However, if we make cash or other property distributions on our Class A common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and will first be applied against and reduce a holder's tax basis in our Class A common stock, but not below zero. Any excess will be treated as gain realized on the sale or other disposition of our Class A common stock and will be treated as described under the section titled "—Gain on Disposition of Our Class A Common Stock" below.

Subject to the discussions below regarding effectively connected income, backup withholding and Sections 1471 through 1474 of the Code (commonly referred to as FATCA), dividends paid to a non-U.S. holder of our Class A common stock generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends or such lower rate specified by an applicable income tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder must furnish us or our paying agent with a valid IRS Form W-8BEN or IRS Form W-8BEN-E (or applicable form) and satisfy applicable certification and other requirements. This certification must be provided to us or our paying agent before the payment of dividends and must be updated periodically. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the non-U.S. holder's behalf, the non-U.S. holder will be required to provide appropriate documentation to the agent, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries.

Non-U.S. holders that do not provide the required certification on a timely basis, but that qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

If a non-U.S. holder holds our Class A common stock in connection with the conduct of a trade or business in the United States, and dividends paid on our Class A common stock are effectively connected with such holder's U.S. trade or business (and are attributable to such holder's permanent establishment in the United States if required by an applicable tax treaty), the non-U.S. holder will be exempt from U.S. federal withholding tax. To claim the

exemption, the non-U.S. holder must generally furnish a valid IRS Form W-8ECI (or applicable successor form) to the applicable withholding agent.

However, any such effectively connected dividends paid on our Class A common stock generally will be subject to U.S. federal income tax on a net income basis at U.S. federal income tax rates generally applicable to U.S. persons. A non-U.S. holder that is a foreign corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Non-U.S. holders should consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

**Gain on Disposition of Our Class A Common Stock**

Subject to the discussions below regarding backup withholding and FATCA, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized on the sale or other disposition of our Class A common stock, unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, and if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by the non-U.S. holder in the United States;
- the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition, and certain other requirements are met; or
- our Class A common stock constitutes a "United States real property interest" by reason of our status as a United States real property holding corporation, or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or the non-U.S. holder's holding period for our Class A common stock, and our Class A common stock is not regularly traded on an established securities market during the calendar year in which the sale or other disposition occurs.

Determining whether we are a USRPHC depends on the fair market value of our U.S. real property interests relative to the fair market value of our other trade or business assets and our foreign real property interests. We believe that we are not currently and do not anticipate becoming a USRPHC for U.S. federal income tax purposes, although there can be no assurance we will not in the future become a USRPHC. If we are a USRPHC and either our Class A common stock is not regularly traded on an established securities market or a non-U.S. holder holds, or is treated as holding, more than 5% of our outstanding Class A common stock, directly or indirectly, during the applicable testing period, such non-U.S. holder will generally be taxed on any gain in the same manner as gain that is effectively connected with the conduct of a U.S. trade or business, except that the branch profits tax generally will not apply. If we are a USRPHC and our Class A common stock is not regularly traded on an established securities market, a non-U.S. holder's proceeds received on the disposition of shares will also generally be subject to withholding at a rate of 15%. Prospective investors are encouraged to consult their own tax advisors regarding the possible consequences to them if we are, or were to become, a USRPHC.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at U.S. federal income tax rates applicable to U.S. persons. A non-U.S. holder that is a foreign corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Gain described in the second bullet point above will be subject to U.S. federal income tax at a flat 30% rate (or such lower rate specified by an applicable income tax treaty), but may be offset by certain U.S.-source capital losses (even though the individual is not considered a resident of the United States), provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses. Non-U.S. holders should consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

**Information Reporting and Backup Withholding**

Annual reports are required to be filed with the IRS and provided to each non-U.S. holder indicating the amount of dividends on our Class A common stock paid to such holder and the amount of any tax withheld with respect to

those dividends. These information reporting requirements apply even if no withholding was required because the dividends were effectively connected with the holder's conduct of a U.S. trade or business, or withholding was reduced or eliminated by an applicable income tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established. Backup withholding, currently at a 24% rate, generally will not apply to payments to a non-U.S. holder of dividends on or the gross proceeds of a disposition of our Class A common stock provided the non-U.S. holder furnishes the required certification for its non-U.S. status, such as by providing a valid IRS Form W-8BEN, IRS Form W-8BEN-E or IRS Form W-8ECI, or certain other requirements are met. Backup withholding may apply if the payor has actual knowledge, or reason to know, that the holder is a U.S. person who is not an exempt recipient.

Backup withholding is not an additional tax. If any amount is withheld under the backup withholding rules, the non-U.S. holder should consult with a U.S. tax advisor regarding the possibility of and procedure for obtaining a refund or a credit against the non-U.S. holder's U.S. federal income tax liability, if any.

**Withholding on Foreign Entities**

FATCA imposes a U.S. federal withholding tax of 30% on certain payments made to a "foreign financial institution" (as specially defined under these rules) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding certain U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or an exemption applies. FATCA also generally imposes a U.S. federal withholding tax of 30% on certain payments made to a non-financial foreign entity unless such entity provides the withholding agent a certification identifying certain direct and indirect U.S. owners of the entity or an exemption applies. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. FATCA currently applies to dividends paid on our Class A common stock. Under applicable Treasury Regulations and administrative guidance, withholding under FATCA would have applied to payments of gross proceeds from the sale or other disposition of stock on or after January 1, 2019, but under proposed regulations (the preamble to which specifies that taxpayers are permitted to rely on such proposed regulations pending finalization), no withholding would apply with respect to payments of gross proceeds.

Prospective investors are encouraged to consult with their tax advisors regarding the possible implications of this legislation on their investment in our Class A common stock.

## UNDERWRITING

We, the selling stockholder and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, Barclays Capital Inc. and Wells Fargo Securities, LLC are the representatives of the underwriters.

| Underwriters | Number of Shares |
|---|---|
| Goldman Sachs & Co. LLC | |
| Morgan Stanley & Co. LLC | |
| Barclays Capital Inc. | |
| Wells Fargo Securities, LLC | |
| Deutsche Bank Securities Inc. | |
| Truist Securities, Inc. | |
| Citigroup Global Markets, LLC | |
| Credit Suisse Securities (USA) LLC | |
| Evercore Group L.L.C. | |
| UBS Securities LLC | |
| Cantor Fitzgerald & Co. | |
| JMP Securities LLC | |
| Siebert Williams Shank & Co., LLC | |
| Huntington Securities, Inc. | |
| Total | |

The underwriters will be committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

The underwriters have an option to buy up to an additional 3,624,777 shares from us to cover sales by the underwriters of a greater number of shares than the total number set forth in the table above. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us and the selling stockholder. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase 3,624,777 additional shares.

**Paid by the Company**

| | No Exercise | Full Exercise |
|---|---|---|
| Per Share | $ | $ |
| Total | $ | $ |

**Paid by the Selling Stockholder**

| | No Exercise | Full Exercise |
|---|---|---|
| Per Share | $ | $ |
| Total | $ | $ |

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. After the initial offering of the shares, the representatives

may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We and our officers, directors, and holders of substantially all of our common stock have agreed with the underwriters, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of at least two of Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, and Barclays Capital Inc; provided, that if (i) the 180-day lock-up period is scheduled to end during a broadly applicable period during which trading in our securities would not be permitted under our insider trading policy, or a blackout period, and (ii) we have publicly released our earnings results for the quarterly period during which this offering occurred, the lock-up period for our officers, directors and holders of substantially all of our common stock will end at the opening of the trading window immediately preceding the applicable blackout period; provided that in no event will the lock-up period end prior to 120 days after the date of this prospectus. In the event that the opening of the trading window immediately preceding the applicable blackout period is earlier than 120 days after the date of this prospectus, the lock-up period will end on the 120th day after the date of this prospectus but only if such 120th day is at least five trading days prior to the commencement of the blackout period. Notwithstanding the foregoing, a blackout-related release will not occur unless we have announced the date of the blackout-related release through a major news service, or on a Form 8-K, at least five trading days in advance of the release.

The lock-up agreements applicable to our directors, officers, and holders of substantially all of our common stock, each referred to as a lock-up party, include certain exceptions to the restrictions on transfer pursuant to which such lock-up party may transfer securities:

- as a bona fide gift or gifts or for bona fide estate planning purposes;
- to any immediate family member or to any trust for the direct or indirect benefit of the lock-up party or an immediate family member of the lock-up party, or if the lock-up party is a trust, to a trustor or beneficiary of the trust (including such beneficiary's estate) of the lock-up party;
- upon death or by will, testamentary document or intestate succession;
- in connection with a sale of the shares of common stock acquired from the underwriters in this offering or in open market transactions after the completion of this offering;
- to another corporation, partnership, limited liability company, trust or other business entity that is an affiliate of the lock-up party, to any investment fund or other entity controlling, controlled by, managing or managed by or under common control with the lock-up party or its affiliates or as part of a distribution, transfer or disposition by the lock-up party to its stockholders, limited partners, general partners, limited liability company members or other equityholders or to the estate of any such stockholders, limited partners, general partners, limited liability company members or equityholders;
- to us in connection with the exercise of options, including "net" or "cashless" exercises, including any transfer of shares of common stock to us for the payment of tax withholdings or remittance payments due as a result of the exercise of any such options pursuant to equity awards granted under a stock incentive plan or other equity award plan described herein;
- by operation of law, such as pursuant to a qualified domestic order or in connection with a divorce settlement;
- to us, in connection with the repurchase of shares of common stock issued pursuant to an employee benefit plan or other agreements described herein;
- pursuant to a bona fide third-party tender offer, merger, consolidation or other similar change of control transactions made to all holders of our capital stock and approved by our board of directors; and

- to us in connection with the conversion or reclassification of outstanding equity securities into shares of common stock as contemplated herein.

Such lock-up parties may also enter into a written plan meeting the requirements of Rule 10b5-1 under the Exchange Act relating to the transfer, sale or other disposition of securities, provided that the securities subject to the plan may not be sold during the lock-up period.

The lock-up agreement applicable to us includes certain exceptions, including:

- the shares to be sold in this offering;
- the issuance of common stock upon the exercise of options or the settlement of restricted stock units outstanding as of the date of this prospectus or issued after the date of this prospectus pursuant to equity plans described herein;
- the issuance of shares of common stock or securities convertible into, exchangeable for or that represent that right to receive shares of common stock, in each case pursuant to equity plans described herein;
- the issuance of shares of common stock pursuant to the exercise of warrants described herein;
- the issuance of shares of Class A common stock upon the conversion of shares of Class B common stock;
- the issuance of shares of stock or securities convertible into, exchangeable for or that represent the right to receive stock in connection with the acquisition of the securities, business, technology, property or other assets of another person or entity or pursuant to an employee benefit plan assumed by us in connection with such acquisition, and the issuance of any such securities pursuant to any such agreement, or joint ventures, commercial relationships and other strategic relationships, not to exceed 5% of the total number of shares of common stock outstanding immediately following the issuance of the shares in this offering;
- the filing of any registration statement on Form S-8 relating to the securities granted or to be granted pursuant to equity incentive plans described herein or any assumed employee benefit plan contemplated in the immediately preceding bullet point; and
- the issuance of shares of common stock in the concurrent private placements.

At least two of Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC and Barclays Capital Inc., on behalf of the underwriters, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time.

See the section titled "*Shares Available for Future Sale*" for a discussion of certain transfer restrictions.

Prior to the offering, there has been no public market for the shares. The initial public offering price has been negotiated among us and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

We have applied to list our Class A common stock on Nasdaq under the symbol "ROOT".

In connection with the offering, the underwriters may purchase and sell shares of Class A common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A "covered short position" is a short position that is not greater than the amount of additional shares for which the underwriters' option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to cover the covered short position, the underwriters will

consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option described above. "Naked" short sales are any short sales that create a short position greater than the amount of additional shares for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Class A common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of Class A common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the Class A common stock. As a result, the price of the Class A common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on the relevant exchange, in the over-the-counter market or otherwise.

The underwriters have agreed to reimburse us for certain expenses incurred by us in connection with this offering. Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC are acting as placement agents in connection with the concurrent private placement, for which they will receive a fee. We have agreed to pay Evercore Group L.L.C., or Evercore, a fee upon the consummation of this offering in connection with Evercore's provision of financial advisory services to us.

We and the selling stockholder have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses. In addition, affiliates of Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, Barclays Capital Inc., Wells Fargo Securities, LLC and Deutsche Bank Securities Inc. are lenders under our credit facility.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

**Directed Share Program**

At our request, the underwriters have reserved for sale, at the initial public offering price, up to 1.1 million shares offered by this prospectus for sale to certain of our officers, employees and related persons through a directed share program. If these persons purchase these reserved shares it will reduce the number of shares available for sale

to the general public. Any directed shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

**Selling Restrictions**

**European Economic Area and United Kingdom**

In relation to each Member State of the European Economic Area and the United Kingdom, or, each, a Relevant State, no shares of our common stock have been offered or will be offered pursuant to the offering to the public in that Relevant State prior to the publication of a prospectus in relation to the shares of our common stock which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation), except that offers of shares of our common stock may be made to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the representatives for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

*provided* that no such offer of shares of our common stock shall require us or any representative to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares of our common stock in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our common stock to be offered so as to enable an investor to decide to purchase or subscribe for any Shares, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

**United Kingdom**

Each Underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 as amended, or the FSMA) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA does not apply to us or the selling stockholder; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

**Canada**

The securities may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption form, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the

securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts, or NI 33-105, the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

**Hong Kong**

The shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), or the Companies (Winding Up and Miscellaneous Provisions) Ordinance, or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), or the Securities and Futures Ordinance, or (ii) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

**Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined under Section 4A of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for 6 months after that corporation has acquired the shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer in that corporation's securities pursuant to Section 275(1A) of the SFA, (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore, or Regulation 32.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that trust has acquired the shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other

assets), (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32.

**Japan**

The securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. The securities may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

## LEGAL MATTERS

The validity of the shares of Class A common stock being offered by this prospectus will be passed upon for us by Cooley LLP, San Francisco, California. Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York, is acting as our special counsel with respect to insurance regulatory matters and our reinsurance strategy, including in connection with this offering. Goodwin Procter LLP, Redwood City, California has acted as counsel to the underwriters in connection with this offering.

## EXPERTS

The consolidated financial statements of Root, Inc. and subsidiaries as of December 31, 2018 and December 31, 2019 and for each of the two years in the period ended December 31, 2019 included in this Prospectus and the related financial statement schedules included elsewhere in the Registration Statement have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the Registration Statement. Such consolidated financial statements and financial statement schedules are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1, including exhibits and schedules, under the Securities Act, with respect to the shares of Class A common stock being offered by this prospectus. This prospectus, which constitutes part of the registration statement, does not contain all of the information in the registration statement and its exhibits. For further information with respect to us and the Class A common stock offered by this prospectus, we refer you to the registration statement and its exhibits. Statements contained in this prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You can read our SEC filings, including the registration statement, over the Internet at the SEC's website at www.sec.gov.

Upon the completion of this offering, we will be subject to the information reporting requirements of the Exchange Act and we will file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information will be available for inspection and copying at the website of the SEC referred to above. We also maintain a website at https://joinroot.com, at which, following the completion of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on or accessible through our website is not a part of this prospectus, and the inclusion of our website address in this prospectus is an inactive textual reference only.

**ROOT, INC. AND SUBSIDIARIES**
**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019**



**INDEX TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED**
**AS OF DECEMBER 31, 2019 AND JUNE 30, 2020 AND FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020**



Schedules other than those listed above are omitted for the reason that they are not required, are not applicable or that equivalent information has been included in the financial statements or notes thereto or elsewhere herein.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Root, Inc. (formerly known as Root Stockholdings, Inc.)

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Root, Inc. and subsidiaries (the "Company") as of December 31, 2019 and 2018 the related consolidated statements of operations and comprehensive loss, redeemable convertible preferred stock and stockholders' deficit, and cash flows, for each of the two years in the period ended December 31, 2019, and the related notes and the schedules listed in the Index (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

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

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

/s/ DELOITTE & TOUCHE LLP
Columbus, Ohio
August 10, 2020

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

**ROOT, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**AS OF DECEMBER 31, 2018 AND 2019**

| | 2018 | 2019 |
|---|---|---|
| | (in millions, except par value ) | |
| **Assets** | | |
| Investments: | | |
| Fixed maturities available-for sale, at fair value (amortized cost: $4.9 and $118.7, respectively) | $ 4.9 | $ 119.3 |
| Short-term investments (amortized cost: $15.3 and $3.5, respectively) | 15.3 | 3.5 |
| Total investments | 20.2 | 122.8 |
| Cash and cash equivalents | 122.3 | 391.7 |
| Restricted cash | — | 24.9 |
| Premiums receivable, net of allowance of $0.0 and $2.0, respectively | 35.0 | 122.7 |
| Reinsurance recoverable | 16.1 | 25.3 |
| Prepaid reinsurance premiums | 12.8 | 17.4 |
| Fixed assets, net | 3.8 | 10.2 |
| Deferred acquisition costs | 1.5 | 3.3 |
| Other assets | 4.3 | 10.3 |
| Total assets | $ 216.0 | $ 728.6 |
| **Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Deficit** | | |
| Liabilities: | | |
| Loss and loss adjustment expense reserves | $ 33.3 | $ 140.7 |
| Unearned premiums | 47.3 | 145.4 |
| Long-term debt and warrants | 15.1 | 192.2 |
| Reinsurance premiums payable | 19.6 | 25.7 |
| Accounts payable and accrued expenses | 10.5 | 29.8 |
| Other liabilities | 3.3 | 8.4 |
| Total liabilities | 129.1 | 542.2 |
| Commitments and Contingencies (Note 13) | | |
| Redeemable convertible preferred stock, $0.0001 par value, 136.4 and 158.9 shares issued and outstanding at December 31, 2018, and 2019, respectively (liquidation preference of $189.8 and $549.8, respectively) (Note 10) | 189.6 | 560.4 |
| Stockholders' deficit: | | |
| Common stock, $0.0001 par value, 41.5 and 44.4 shares issued and outstanding at December 31, 2018, and 2019, respectively (Note 10) | — | — |
| Treasury stock, at cost | (0.1) | (0.1) |
| Additional paid-in capital | — | 10.5 |
| Accumulated other comprehensive income | — | 0.6 |
| Accumulated loss | (102.6) | (385.0) |
| Total stockholders' deficit | (102.7) | (374.0) |
| Total liabilities, redeemable convertible preferred stock and stockholders' deficit | $ 216.0 | $ 728.6 |

See Notes to the Consolidated Financial Statements

**ROOT, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019**

| | 2018 | 2019 |
|---|---|---|
| | (in millions, except per share data) | |
| Net premiums earned | $ 40.2 | $ 275.3 |
| Net investment income | 1.2 | 5.2 |
| Fee income | 1.9 | 9.7 |
| Total revenue | 43.3 | 290.2 |
| Operating expenses: | | |
| Loss and loss adjustment expenses | 43.5 | 321.4 |
| Sales and marketing | 40.3 | 109.6 |
| Other insurance expense | 10.2 | 52.3 |
| Technology and development | 8.2 | 24.0 |
| General and administrative | 9.3 | 43.0 |
| Total operating expenses | 111.5 | 550.3 |
| Interest expense | 0.9 | 22.3 |
| Loss before income tax expense | (69.1) | (282.4) |
| Income tax expense | — | — |
| Net loss | (69.1) | (282.4) |
| Other comprehensive income: | | |
| Changes in unrealized gain on investments | — | 0.6 |
| Comprehensive loss | $ (69.1) | $ (281.8) |
| Loss per common share: basic and diluted | $ (2.73) | $ (8.33) |
| Weighted-average common shares outstanding: basic and diluted | 25.3 | 33.9 |
| Pro forma net loss per share: basic and diluted (unaudited) | | $ (1.54) |
| Pro forma weighted average common shares outstanding: basic and diluted (unaudited) | | 182.9 |

See Notes to the Consolidated Financial Statements

**ROOT, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT**

**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019**

| | Redeemable Convertible Preferred Stock | | Common Stock | | Treasury Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Income | Accumulated Loss | Total Stockholders' Deficit |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | |
| | | | | | | | (in millions) | | | |
| Balance—January 1, 2018 | 81.7 | $ 38.8 | 35.7 | $ — | 4.5 | $ (0.1) | $ — | $ — | $ (33.5) | $ (33.6) |
| Comprehensive loss: | | | | | | | | | | |
| Net loss | — | — | — | — | — | — | — | — | (69.1) | (69.1) |
| Common stock—option exercises | — | — | 5.8 | — | — | — | 0.1 | — | — | 0.1 |
| Reclassification of early-exercised stock option to liabilities | — | — | — | — | — | — | (0.2) | — | — | (0.2) |
| Common stock—shared-based compensation expense | — | — | — | — | — | — | 0.1 | — | — | 0.1 |
| Series C—preferred stock - voting issued | 32.3 | 46.5 | — | — | — | — | — | — | — | — |
| Series C—preferred stock - non-voting issued | 3.1 | 4.5 | — | — | — | — | — | — | — | — |
| Series C—transaction costs | — | (0.1) | — | — | — | — | — | — | — | — |
| Series D—preferred stock issued | 19.3 | 100.0 | — | — | — | — | — | — | — | — |
| Series D—transaction costs | — | (0.1) | — | — | — | — | — | — | — | — |
| Balance—December 31, 2018 | 136.4 | $ 189.6 | 41.5 | $ — | 4.5 | $ (0.1) | $ — | $ — | $ (102.6) | $ (102.7) |
| Comprehensive loss: | | | | | | | | | | |
| Net loss | — | — | — | — | — | — | — | — | (282.4) | (282.4) |
| Changes in other comprehensive income | — | — | — | — | — | — | — | 0.6 | — | 0.6 |
| Tender offer | — | — | — | — | — | — | 8.6 | — | — | 8.6 |
| Common stock—option exercises | — | — | 2.9 | — | — | — | 1.9 | — | — | 1.9 |
| Reclassification of early-exercised stock option to liabilities | — | — | — | — | — | — | (1.4) | — | — | (1.4) |
| Common stock—share-based compensation expense | — | — | — | — | — | — | 1.4 | — | — | 1.4 |
| Series E—preferred stock - voting issued | 21.2 | 350.0 | — | — | — | — | — | — | — | — |
| Series E—transaction costs | — | (0.4) | — | — | — | — | — | — | — | — |
| Series E—SAFE conversion | 1.3 | 21.2 | — | — | — | — | — | — | — | — |
| Balance—December 31, 2019 | 158.9 | $ 560.4 | 44.4 | $ — | 4.5 | $ (0.1) | $ 10.5 | $ 0.6 | $ (385.0) | $ (374.0) |

See Notes to the Consolidated Financial Statements

**ROOT, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019**

| | 2018 | 2019 |
|---|---|---|
| | (in millions) | |
| **Cash flows from operating activities:** | | |
| Net loss | $ (69.1) | $ (282.4) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Share-based compensation | 0.1 | 1.4 |
| Tender offer | — | 8.6 |
| Depreciation and amortization | 0.6 | 4.9 |
| Bad debt expense | 0.3 | 9.0 |
| SAFE fair value adjustment | — | 11.2 |
| Changes in operating assets and liabilities: | | |
| Premiums receivable | (33.7) | (96.7) |
| Reinsurance recoverable | (15.2) | (9.2) |
| Prepaid reinsurance premiums | (11.6) | (4.6) |
| Deferred acquisition costs | (1.5) | (1.8) |
| Other assets | (1.2) | (1.9) |
| Losses and loss adjustment expenses reserves | 32.1 | 107.4 |
| Unearned premiums | 45.0 | 98.1 |
| Reinsurance premiums payable | 19.4 | 6.1 |
| Accounts payable and accrued expenses | 9.0 | 20.0 |
| Other liabilities | (0.3) | 2.7 |
| Net cash used in operating activities | (26.1) | (127.2) |
| **Cash flows from investing activities:** | | |
| Purchases of investments | (40.3) | (138.1) |
| Proceeds from maturities, call and pay downs of investments | 19.2 | 36.2 |
| Sales of investments | 4.0 | — |
| Capitalization of internally developed software | (2.3) | (5.5) |
| Purchases of fixed assets | (1.2) | (6.6) |
| Net cash used in investing activities | (20.6) | (114.0) |
| **Cash flows from financing activities:** | | |
| Proceeds from exercise of stock options | 0.1 | 1.9 |
| Proceeds from issuance of preferred stock | 151.0 | 350.0 |
| Stock issuance costs | (0.2) | (0.4) |
| Proceeds from debt and warrants issuance | — | 200.0 |
| Debt and warrants issuance costs | — | (10.5) |
| Repayments of long-term debt | — | (15.5) |
| Proceeds from SAFE | — | 10.0 |
| Net cash provided by financing activities | 150.9 | 535.5 |
| Net increase in cash, cash equivalents and restricted cash | 104.2 | 294.3 |
| Cash, cash equivalents and restricted cash at beginning of year | 18.1 | 122.3 |
| Cash, cash equivalents and restricted cash at end of year | $ 122.3 | $ 416.6 |
| **Supplemental disclosures:** | | |
| Interest paid | $ 0.8 | $ 4.3 |
| Income taxes paid | — | — |
| Leasehold improvements - non-cash | 2.6 | 1.5 |
| Conversion of debt to preferred stock - non-cash | — | 11.2 |

See Notes to the Consolidated Financial Statements

**ROOT, INC. AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019**

## 1. NATURE OF BUSINESS

Root, Inc. is a holding company which, directly or indirectly, maintains 100% ownership of each of its subsidiaries (together with Root, Inc. "We, us or our"). We were formed in 2015 to develop and launch a direct-to-consumer personal automobile insurance and mobile technology company.

We are a direct-to-consumer personal auto insurance, renters insurance and mobile technology company which began writing personal auto insurance in July 2016 entirely through a smartphone mobile application. We market our products primarily through digital and referral program channels. We offer insurance products underwritten by Root Insurance Company, an Ohio domiciled insurance company. As of December 31, 2019, we wrote auto policies in 29 states and were licensed in six additional states and the District of Columbia. As of December 31, 2019, we wrote renters insurance in three states.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Consolidation**—The consolidated financial statements include the accounts of Root, Inc. and its subsidiaries, all of which are wholly owned. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. All intercompany accounts and transactions have been eliminated.

**Use of Estimates**—The preparation of consolidated financial statements requires management to make certain 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates reflected in our consolidated financial statements include, but are not limited to, reserves for loss and loss adjustment expense, premium write-offs and valuation allowance for income taxes.

**Unaudited Pro Forma Information**— In the accompanying consolidated statements of operations and comprehensive loss, the unaudited pro forma basic and diluted net loss per share attributable to common stockholders for the year ended December 31, 2019 has been prepared assuming (i) the automatic conversion of all outstanding shares of redeemable convertible preferred stock into shares of common stock upon an initial public offering, or IPO, and (ii) the settlement of our related party loans executed with several executives for the purchase of common stock that were contractually required to be settled in connection with the filing of a registration statement under the Securities Act (Note 12). Both the conversion and settlement transactions were considered to have occurred as if the proposed IPO had occurred on the later of January 1, 2019 or the issuance date of the respective redeemable convertible preferred stock or related party loan.

**Segment Information**—Our chief operating decision maker is the Chief Executive Officer. The chief operating decision maker manages operations, allocates resources, and evaluates financial performance on a company-wide basis. We operate in one reporting segment providing direct-to-consumer insurance products to customers.

**Cash, Cash Equivalents and Restricted Cash**—Cash consists of cash on deposit. Cash equivalents are short-term, highly liquid investments that mature within three months from the date of origination and are principally stated at amortized cost, which approximates their fair value. Restricted cash consists of amounts held in escrow by a financial institution to collateralize a portion of outstanding debt.

**Book Overdraft**—If checks are issued in excess of the amount of cash on hand a book overdraft shall be reclassified to accounts payable on the consolidated balance sheets. When a check is issued whereby a disbursement account is used to write the check, but the account is not funded until the check is presented for payment this "negative cash" balance is included in cash and cash equivalents on the consolidated balance sheets, if the funding account has sufficient funds.

**Investments**—Investments in debt securities are classified as available-for-sale securities and are carried at fair value with any unrealized gains and losses, net of taxes, recorded as a component of accumulated other comprehensive income.

Declines in the fair value of debt securities below their cost deemed to be other-than-temporary are reflected in operations as realized losses. Management regularly reviews its securities for signs of other-than-temporary impairment, an assessment requiring significant management judgment. Among the criteria management considers are the financial condition of the issuer, including receipt of scheduled principal and interest cash flows, length of time of unrealized loss, maturity dates, current economic conditions and intent to sell, including if it is more likely than not that the we will be required to sell the security before recovery. When a debt security has been determined to have an other-than-temporary impairment, the impairment charge is separated into an amount representing the credit loss, which is recognized in earnings as a realized loss and the amount related to non-credit factors, which is recognized in other comprehensive income. There were no other-than-temporary impairments recognized in 2018 and 2019.

**Fair Value Measurements**—Fair value is defined as the price that would be received upon selling an asset or the price paid to transfer a liability on the measurement date in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants. A three-tier hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair values are:

Level 1 - Financial assets and liabilities for which inputs are observable and are obtained from reliable quoted prices in active markets for identical assets and liabilities.

Level 2 - Financial assets and liabilities for which values are based on quoted prices in markets that are not active or for which values are based on similar assets and liabilities that are actively traded. This also includes pricing models for which the inputs are corroborated by market data.

Level 3 - Financial assets and liabilities for which values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

**Premiums, Premiums Receivable and Premium Write-offs**—Premiums written are deferred and earned pro rata over the policy period. Unearned premium is established to cover the unexpired portion of premiums written. A premium deficiency is recorded when the sum of expected losses, loss adjustment expenses, unamortized acquisition costs and maintenance costs exceed the recorded unearned premium reserve and anticipated investment income. A premium deficiency reserve is recognized as a reduction of deferred acquisition costs and, if necessary, by accruing an additional liability for the deficiency, with a corresponding charge to operations. We did not record a premium deficiency reserve in 2018 and 2019.

Premiums receivable represents premiums written but not yet collected. Generally, premiums are collected prior to providing risk coverage, minimizing our exposure to credit risk. Due to a variety of factors, certain premiums billed may not be collected, for which we establish an allowance for doubtful accounts based on an analysis of historical collection experience. Allowance for doubtful accounts was zero and $2.0 million as of December 31, 2018 and 2019 on the consolidated balance sheets. A policy is considered past due on the first day after its due date and policies greater than 90 days past due are written-off. We recognized premium write-offs of $0.3 million and $9.0 million for the years ended December 31, 2018 and 2019, respectively.

**Fee Income**—For those policyholders who pay premiums on an installment basis, we charge a flat fee for each installment related to the additional administrative costs associated with processing more frequent billings. We recognize this fee income in the period in which we process each installment.

**Sales and Marketing**—Sales and marketing includes spend related to performance and partnership channels, channel media, advertising, branding, public relations, consumer insights and referral fees. These expenses also include related employee costs including salaries, health benefits, bonuses and employee retirement plan related expenses other than share-based compensation expense, or Personnel Costs, and overhead allocated based on

headcount, or Overhead. We incur sales and marketing activities for all product offerings including our newly introduced Enterprise product. Sales and marketing are expensed as incurred.

**Other Insurance Expense**—Other insurance expense includes underwriting expenses, credit card and policy processing expenses, premium write-offs, insurance license expenses, and Personnel Costs and Overhead related to actuarial and certain data science activities. Other insurance expense also includes amortization of deferred acquisition costs like premium taxes and report costs related to the successful acquisition of a policy. Other insurance expense is expensed as incurred, except for costs related to deferred acquisition costs that are capitalized and subsequently amortized over the same period in which the related premiums are earned. These expenses are also recognized net of ceding commissions earned.

**Technology and development**—Technology and development consists of software development costs related to our mobile app and homegrown information technology systems; third-party services related to infrastructure support; Personnel Costs and Overhead for engineering, product, technology, and certain data science activities; and amortization of internally developed software. Technology and development is expensed as incurred, except for development and testing costs related to internally developed software that are capitalized and subsequently amortized over the expected useful life.

**General and Administrative**—General and administrative expenses primarily relate to external professional service expenses; Personnel Costs and Overhead for corporate functions; depreciation expense for computers, furniture and other fixed assets; and share-based compensation expense for all employees, board members, and certain advisors. General and administrative expenses are expensed as incurred.

**Policy Acquisition Costs**—Acquisition costs, consisting of premium taxes and certain marketing costs and underwriting expenses, net of ceding commissions, related to the successful acquisition or renewal business, are deferred and amortized over the same period in which the related premiums are earned. Ceding commissions relating to reinsurance agreements are recorded as a reimbursement for both deferrable and non-deferrable acquisition costs. The portion of the ceding commission that is equal to the pro rata share of acquisition costs based on quota share percentage is recorded as an offset to the direct deferred acquisition costs. Any portion of the ceding commission that exceeds the acquisition costs of the business ceded is recorded as a deferred liability and amortized over the same period in which the related premiums are earned.

We amortized deferred acquisition costs of $2.8 million and $12.2 million for the years ended December 31, 2018 and 2019, respectively, which are recognized in other insurance expense in our consolidated statements of operations and comprehensive loss.

**Loss and Loss Adjustment Expense Reserves**—Loss and loss adjustment expense (“LAE”) reserves include an amount determined using adjuster determined case-base estimates for reported claims and on actuarial unpaid claim estimates using past experience and historical emergence patterns for unreported losses and loss adjustment expenses. These reserves are established to cover the estimated ultimate cost to settle insured losses. The unpaid claim estimates consider loss cost trends, mix of business, and other risk factors impacting claims settlement. The method used to estimate unpaid LAE reserves is based on claims transaction data, including the relative cost of settling the range of claim types from express material damage claims to more complex injury cases. There is considerable uncertainty associated with the actuarial estimates, and therefore no assurance can be made that the ultimate unpaid claim liability will not vary materially from such estimates. These loss estimates are continually reviewed by management and adjusted as necessary; with adjustments included in the period determined and recorded in loss and loss adjustment expenses on our consolidated statements of operations and comprehensive loss. As such, loss and loss adjustment expense reserves represent management’s best estimate of the ultimate liability related to reported and unreported claims.

Our loss and loss adjustment expense reserves are recorded gross of reinsurance and net of amounts expected to be received from salvage (the amount recovered from a total loss claims expense) and subrogation (the right to recover payments from third parties).

**Reinsurance**—In the ordinary course of business, we cede a portion of our business written to reinsurers to limit the maximum net loss potential arising from large risks and catastrophes. These arrangements, known as treaties, provide for reinsurance coverage on quota-share and excess-of-loss basis. Although the ceding of reinsurance does not discharge us from our primary liability to the policyholder, the insurance company that assumes the coverage assumes the related liability. Amounts recoverable from and payable to reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured business. Reinsurance premiums, commissions and expense reimbursements related to reinsured business are accounted for on a basis consistent with the basis used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums ceded to other companies have been reported as a reduction of premiums earned and are recognized over the remaining policy period based on the reinsurance protection provided. Amounts applicable to reinsurance ceded for unearned premium reserves are reported as a prepaid reinsurance premiums asset in the accompanying consolidated balance sheets and as reduction of unearned premiums in Note 6, “Reinsurance.” Expense allowances received in connection with reinsurance ceded have been accounted for as a reduction of other insurance expense in the consolidated statements of operations and comprehensive loss.

Some of our reinsurance agreements provide for adjustment of commissions or amount of coverage based on loss experience. We recognize the asset or liability arising from these adjustable features in the period the adjustment occurs, which is calculated based on experience to-date under the agreement.

In the event that all or any of the reinsuring companies might be unable to meet their obligations under existing reinsurance agreements, we would be liable for such defaulted amounts. We evaluate and monitor the financial condition associated with our reinsurers in order to minimize our exposure to significant losses from reinsurer insolvencies. We obtain our reinsurance from a diverse group of reinsurers and monitor concentration as well as financial strength ratings of the reinsurers to minimize counterparty credit risk. All reinsurance contracts provide for indemnification against loss or liability relating to insurance risk and have been accounted for as reinsurance.

**Income Taxes**—For the 2019 tax year, Root, Inc. will file a consolidated federal income tax return with Caret Holdings, Inc., Root Insurance Company and Root Reinsurance Company, Ltd. The consolidated return also includes Root Insurance Agency, LLC, which is a disregarded entity under Root Inc. for federal income tax purposes.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred tax assets are recognized to the extent that there is sufficient positive evidence, as allowed under the Accounting Standard Codification, or ASC, 740, Income Taxes, to support the recoverability of those deferred tax assets. We establish a valuation allowance to the extent that there is insufficient evidence to support the recoverability of the deferred tax asset under ASC 740. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and results of recent operations. If it is determined that the deferred tax assets would be realizable in the future in excess of their net recorded amount, an adjustment would be made to the deferred tax asset valuation allowance, which would reduce the provision for income taxes. A valuation allowance of $19.4 million and $76.8 million was established as of December 31, 2018 and 2019, respectively. Further details are discussed in Note 9, "Income Taxes."

We recognize the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained under examination by the appropriate taxing authority. Interest and penalties on our reserve for uncertain tax positions are recognized as a component of tax expense. As of December 31, 2018 and 2019, we did not have any unrecognized tax benefits for uncertain tax positions and had no accrued interest or penalties related to uncertain tax positions.

**Internally Developed Software**—We review our software development activity and capitalize costs during the application development phase under ASC 350-40, *Internal-Use Software.* These costs are being amortized on a straight-line basis over a five-year period. Internally developed software costs are assessed for impairment at least quarterly to ensure assets are still in service. If there are assets identified as no longer in use, the remaining capitalized costs will be impaired. We amortized internally developed software of $0.3 million and $1.4 million for the years ended December 31, 2018 and 2019, respectively, recorded as technology and development expense in our consolidated statements of operations and comprehensive loss. The capitalized cost and accumulated amortization of internally developed software at December 31, 2018 and 2019 are as follows:

| | 2018 | 2019 |
|---|---|---|
| | (dollars in millions) | |
| Internally developed software | $ 3.0 | $ 8.5 |
| Accumulated amortization | (0.5) | (1.9) |
| Internally developed software, net | $ 2.5 | $ 6.6 |

**Fixed Assets**—Fixed Assets are carried at cost, net of accumulated depreciation. We capitalize purchases of fixed assets with costs greater than $1,000, including computers, furniture, and leasehold improvements. Depreciation on computers and furniture is recognized on a straight-line basis over a useful life of three years and five years, respectively. Depreciation on leasehold improvements is recognized on a straight-line basis over the shorter of their useful life or the life of the lease. When certain events or changes in operating conditions occur, an impairment assessment may be performed on the recoverability of the carrying amounts. For the years ended December 31, 2018 and 2019, depreciation expense of $0.3 million and $1.7 million, respectively, are recorded in our consolidated statements of operations and comprehensive loss. The capitalized cost and accumulated depreciation of fixed assets at December 31, 2018 and 2019 are as follows:

| | 2018 | 2019 |
|---|---|---|
| | (dollars in millions) | |
| Computers | $ 1.0 | $ 3.5 |
| Furniture | 0.6 | 2.9 |
| Leasehold improvements | 2.7 | 6.0 |
| Total fixed assets, at cost | 4.3 | 12.4 |
| Accumulated depreciation | (0.5) | (2.2) |
| Fixed assets, net | $ 3.8 | $ 10.2 |

**Share-Based Compensation**—We award share-based compensation, including stock options with only a service condition, stock options with service and performance conditions, and restricted stock, to our officers, directors, employees, and certain advisors through approval from the Compensation Committee of the Board of Directors.

Share-based compensation expense is recognized in general and administrative expenses in the consolidated statements of operations and comprehensive loss based on the grant date fair value of the awards. The fair value of stock options is determined on the grant date using the Black-Scholes Merton, or BSM, option-pricing model. The fair value of restricted stock is determined in-part by the fair value of our common shares. Stock options are exercisable for a period up to ten years from the grant date. We recognize forfeitures as they occur.

Stock options with only a service condition generally vest over four years - 25% cliff vests after one year and approximately 2% vests each month over three years thereafter. Stock options with service and performance conditions generally vest ratably over a four-year period assuming achievement of the performance conditions. The compensation expense associated with nonvested stock options that have performance conditions is dependent on our periodic assessment of the probability of the performance conditions being achieved. If deemed probable, we recognize compensation expense on a straight-line basis over the requisite service period. If a performance condition is no longer probable of achievement, any previously recognized compensation expense is reversed and no subsequent compensation expense is recognized until achievement is once again probable, at which point a cumulative catch-up is recognized, for additional information refer to Note 11, “Share-Based Compensation.”

**Net Loss Per Share**—Net loss per share results are a key indicator of the overall performance relative to each share of our outstanding common stock. Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period. Our warrants are included in the weighted-average number of common shares outstanding because they have an insignificant exercise price of $0.0001 per share and are therefore considered outstanding common shares for computation of basic EPS. The calculation for Diluted net loss per share is similar to Basic net loss per share discussed above except the conversion of dilutive securities is included in the denominator. Notable dilutive securities relevant to our operations are stock options, performance stock options, restricted stock units, warrants, redeemable convertible preferred stock, and common stock outstanding subject to outstanding related party loans.

We have operated at a loss from operations for the years ended December 31, 2018 and 2019. Therefore, the conversion of potential shares from dilutive securities would increase the denominator of earnings (loss) per share, or EPS, calculation and would create a lower loss per share due to net losses. This means that the potentially dilutive securities are considered antidilutive as they increase our EPS. Due to these losses from operations Diluted EPS would be equal to Basic EPS.

**Adopted Accounting Pronouncement**—In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. The update requires revenue recognition to reflect the transfer of promised goods or services to customers and replaces existing revenue recognition guidance. Insurance contracts do not fall within the scope of this ASU. We adopted the ASU effective January 1, 2019. The adoption of this standard did not have a material impact on our financial statements or notes to the financial statements.

**Upcoming Accounting Pronouncements**—In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The main provision of ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The effective date of ASU 2016-02 is for annual reporting periods beginning after December 15, 2021, and interim reporting periods beginning after December 15, 2022. We are currently evaluating the impact of this ASU.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 amends previous guidance on the impairment of financial instruments by adding an impairment model that allows an entity to recognize expected credit losses as an allowance rather than impairing as they are incurred. The new guidance is intended to reduce complexity of credit impairment models and result in a more timely recognition of expected credit losses. The effective date of ASU 2016-13 is for reporting periods beginning after December 15, 2022. We are currently evaluating the impact of this ASU.

In August 2018, the FASB issued Accounting Standards Update No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. We early adopted ASU 2018-15 on January 1, 2020. The adoption of this standard did not have a material impact on our financial statements or notes to the financial statements.

## 3. INVESTMENTS

The amortized cost and fair value of short-term investments and available-for-sale fixed maturity securities at December 31, 2018 and 2019 are as follows:

| | 2018 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| | (dollars in millions) | | | |
| Bonds and short-term investments: | | | | |
| U.S. Treasury securities and agencies | $ 17.3 | $ — | $ — | $ 17.3 |
| Municipal securities | 1.5 | — | — | 1.5 |
| Corporate debt securities | 0.2 | — | — | 0.2 |
| Other debt obligations | 1.2 | — | — | 1.2 |
| Total | $ 20.2 | $ — | $ — | $ 20.2 |

| | 2019 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| | (dollars in millions) | | | |
| Bonds and short-term investments: | | | | |
| U.S. Treasury securities and agencies | $ 12.7 | $ 0.1 | $ — | $ 12.8 |
| Municipal securities | 10.2 | 0.1 | — | 10.3 |
| Corporate debt securities | 38.8 | 0.4 | (0.1) | 39.1 |
| Residential mortgage-backed securities | 3.3 | — | — | 3.3 |
| Commercial mortgage backed securities | 31.5 | 0.1 | (0.1) | 31.5 |
| Other debt obligations | 25.7 | 0.1 | — | 25.8 |
| Total | $ 122.2 | $ 0.8 | $ (0.2) | $ 122.8 |

The following tables reflect the gross unrealized losses, fair value on bonds, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2018 and 2019:

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| | (dollars in millions) | | | | | |
| Bonds: | | | | | | |
| U.S. Treasury securities and agencies | $ 15.4 | $ — | $ 0.4 | $ — | $ 15.8 | $ — |
| Municipal securities | 0.4 | — | — | — | 0.4 | — |
| Other debt obligations | 1.2 | — | — | — | 1.2 | — |
| Total bonds | $ 17.0 | $ — | $ 0.4 | $ — | $ 17.4 | $ — |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| | (dollars in millions) | | | | | |
| Bonds: | | | | | | |
| Municipal securities | $ 5.5 | $ — | $ — | $ — | $ 5.5 | $ — |
| Corporate debt securities | 12.8 | (0.1) | — | — | 12.8 | (0.1) |
| Residential mortgage-backed securities | 1.9 | — | — | — | 1.9 | — |
| Commercial mortgage-backed securities | 24.5 | (0.1) | — | — | 24.5 | (0.1) |
| Other debt obligations | 7.4 | — | — | — | 7.4 | — |
| Total bonds | $ 52.1 | $ (0.2) | $ — | $ — | $ 52.1 | $ (0.2) |

We may ultimately record a realized loss after having originally concluded that the decline in value was temporary. Risks and uncertainties are inherent in the assessment methodology used to assess other-than-temporary declines in fair value. Risks and uncertainties could include, but are not limited to, the opinion of professional investment managers could prove to be incorrect, the past trading patterns of individual securities may not reflect future valuation trends and the credit ratings assigned by independent credit rating agencies may prove to be incorrect due to unforeseen or unknown facts related to a company's financial situation.

The amortized cost and fair value of short-term investments and fixed maturity securities by contractual maturity at December 31, 2018 and 2019 are as follows:

| | 2018 | | 2019 | |
|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| | (dollars in millions) | | | |
| Due in one year or less | $ 16.0 | $ 16.0 | $ 14.3 | $ 14.3 |
| Due after one year through five years | 4.2 | 4.2 | 81.6 | 82.1 |
| Due five years through 10 years | — | — | 4.9 | 4.9 |
| Due after 10 years | — | — | 21.4 | 21.5 |
| Total | $ 20.2 | $ 20.2 | $ 122.2 | $ 122.8 |

There were no realized gains or losses on short-term investments and fixed maturity securities for the years ended December 31, 2018 and 2019.

The following table sets forth the components of net investment income for the years ended December 31, 2018 and 2019:

| | 2018 | 2019 |
|---|---|---|
| | (dollars in millions) | |
| Interest on bonds | $ 0.4 | $ 1.8 |
| Interest on deposits and cash equivalents | 0.9 | 3.8 |
| Total | 1.3 | 5.6 |
| Investment expense | (0.1) | (0.4) |
| Net investment income | $ 1.2 | $ 5.2 |

The following tables summarize the credit ratings of investments at December 31, 2018 and 2019:

| | December 31, 2018 | | |
|---|---|---|---|
| S&P Global rating or equivalent | Amortized Cost | Fair Value | % of Total Fair Value |
| | (dollars in millions) | | |
| AAA | $ 1.4 | $ 1.4 | 6.9 % |
| AA+, AA, AA-, A-1 | 18.8 | 18.8 | 93.1 |
| Total | $ 20.2 | $ 20.2 | 100.0 % |

| | December 31, 2019 | | |
|---|---|---|---|
| S&P Global rating or equivalent | Amortized Cost | Fair Value | % of Total Fair Value |
| | (dollars in millions) | | |
| AAA | $ 78.8 | $ 79.0 | 64.3 % |
| AA+, AA, AA-, A-1 | 8.7 | 8.8 | 7.2 |
| A+, A, A- | 26.6 | 26.9 | 21.9 |
| BBB+, BBB, BBB- | 8.1 | 8.1 | 6.6 |
| Total | $ 122.2 | $ 122.8 | 100.0 % |

Pursuant to certain regulatory requirements, we are required to hold assets on deposit with various state insurance departments for the benefit of policyholders. These special deposits are included in fixed maturities, available-for-sale on the consolidated balance sheets. The following table reflects special deposits:

| | December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2019 | |
| State | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| | (dollars in millions) | | | |
| South Carolina | $ — | $ — | $ 5.3 | $ 5.5 |
| Ohio | 2.9 | 2.9 | 2.5 | 2.6 |
| Colorado | — | — | 1.1 | 1.1 |
| Virginia | 0.5 | 0.5 | 0.5 | 0.6 |
| All other states | 0.8 | 0.8 | 1.2 | 1.1 |
| Total states | 4.2 | 4.2 | 10.6 | 10.9 |

## 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables provide information about our financial assets and liabilities measured and reported at fair value:

| | 2018 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| | (dollars in millions) | | | |
| **Assets** | | | | |
| Fixed maturities | $ 3.0 | $ 1.9 | $ — | $ 4.9 |
| Short-term investments | 14.1 | 1.2 | — | 15.3 |
| Cash equivalents | 92.5 | — | — | 92.5 |
| **Total Assets at fair value** | $ 109.6 | $ 3.1 | $ — | $ 112.7 |

| | 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| | (dollars in millions) | | | |
| **Assets** | | | | |
| Fixed maturities | $ 9.8 | $ 109.5 | $ — | $ 119.3 |
| Short-term investments | 3.0 | 0.5 | — | 3.5 |
| Cash equivalents | 316.6 | — | — | 316.6 |
| **Total Assets at fair value** | $ 329.4 | $ 110.0 | $ — | $ 439.4 |
| **Liabilities** | | | | |
| Warrant liability | $ — | $ — | $ 20.3 | $ 20.3 |
| **Total Liabilities at fair value** | $ — | $ — | $ 20.3 | $ 20.3 |

We estimate the fair value of all our different classes of Level 2 fixed rate maturities and short-term investments by using quoted prices from a combination of an independent pricing vendor or broker/dealer, pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

We have financial liabilities categorized as level 3 in the table above for warrants issued and outstanding in conjunction with the closing of a note purchase agreement. The warrants are disaggregated from the long-term debt in order to appropriately determine their standalone fair value. To calculate the fair value we utilized the BSM approach. The significant inputs in calculating the fair value of the warrants were the current price from the most recently completed Internal Revenue Code 409a valuation, or 409a, the current risk-free rate used by the United States Treasury, the expected term and the volatility assumption. The BSM calculation yielded a fair value of $7.2499 per share for each of the 2.8 million warrants for a standalone fair value of $20.3 million classified as long-term debt and warrants on the consolidated balance sheets.

No gains or losses related to the warrant liability were recognized in the statements of operations and comprehensive loss given the proximity of the issuance of the warrant liability to December 31, 2019. For more information on long-term debt and warrants, see “Note 8, Long-Term Debt."

The carrying amount of long-term debt is recorded at historical amounts. The fair value of outstanding long-term debt is classified within Level 2 of the fair value hierarchy. The fair value is based on a model referencing observable interest rates and spreads to project and discount cash flows to present value. For the years ended December 31, 2018 and 2019 the carrying amounts and fair values of these financial instruments were as follows:

| | Carrying amount as of December 31, 2018 | Estimated Fair Value as of December 31, 2018 | Carrying amount as of December 31, 2019 | Estimated Fair Value as of December 31, 2019 |
|---|---|---|---|---|
| | (dollars in millions) | | | |
| Long-term debt | $ 15.1 | $ 15.3 | $ 172.7 | $ 200.8 |

The carrying amounts of other short-term financial instruments approximates their fair value due to their short-term nature.

## 5. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The following provides a reconciliation of the beginning and ending reserve balances for loss and LAE, net of reinsurance:

| | 2018 | 2019 |
|---|---|---|
| | (dollars in millions) | |
| Gross loss and LAE reserves, January 1 | $ 1.6 | $ 33.3 |
| Reinsurance recoverable on unpaid losses | (0.8) | (11.4) |
| Net loss and LAE reserves, January 1 | 0.8 | 21.9 |
| Net incurred loss and LAE related to: | | |
| Current year | 43.7 | 312.6 |
| Prior years | (0.2) | 8.8 |
| Total incurred | 43.5 | 321.4 |
| Net paid loss and LAE related to: | | |
| Current year | 22.0 | 194.6 |
| Prior years | 0.4 | 26.9 |
| Total paid | 22.4 | 221.5 |
| Net loss and LAE reserves, December 31 | 21.9 | 121.8 |
| Plus reinsurance recoverable on unpaid losses | 11.4 | 18.9 |
| Gross loss and LAE reserves, December 31 | $ 33.3 | $ 140.7 |

Incurred losses and LAE attributable to prior accident years was a decrease of $0.2 million and an increase of $8.8 million during 2018 and 2019, respectively. For the year ended December 31, 2019, the development of incurred losses related to prior periods was primarily related to higher-than-estimated reported losses on bodily injury, uninsured and under-insured bodily injury, and property damage coverages.

Reconciliation of incurred and paid losses by LAE development to gross loss and loss expense reserves are as follows:

| | 2018 | 2019 |
|---|---|---|
| | (dollars in millions) | |
| Losses—net of reinsurance | $ 17.3 | $ 106.6 |
| LAE—net of reinsurance | 4.6 | 15.2 |
| Reinsurance recoverables on unpaid losses | 11.4 | 18.9 |
| Total loss and LAE reserves—gross of reinsurance | $ 33.3 | $ 140.7 |

The following table shows incurred and paid losses and allocated loss adjustment expenses, or ALAE, development by accident year for private passenger auto in aggregate, cumulative claim frequency is defined as the number of reported claims by claim event which includes reported claims that do not result in a liability. We revised the prior presentation of this table to exclude $7.7 million of 2019 unallocated loss adjustment expenses, which we determined was not material.

| **Incurred Losses and ALAE—Net of Reinsurance**<br>**Accident Year** | **2017 (unaudited)** | **2018 (unaudited)** | **2019** | **IBNR** | **Reported Claims[1]** |
|---|---|---|---|---|---|
| | | | **(dollars in millions)** | | |
| 2017 | $ 1.2 | $ 1.1 | $ 1.1 | $ — | 625 |
| 2018 | | 42.3 | 48.3 | 0.7 | 15,189 |
| 2019 | | | 287.3 | 55.6 | 97,728 |
| Total | | | $ 336.7 | | 113,542 |

| **Cumulative Paid Losses and ALAE—Net of Reinsurance**<br>**Accident Year** | **2017 (unaudited)** | **2018 (unaudited)** | **2019** |
|---|---|---|---|
| | | | **(dollars in millions)** |
| 2017 | $ 0.6 | $ 0.9 | $ 1.0 |
| 2018 | | 20.6 | 44.6 |
| 2019 | | | 177.0 |
| Total | | | $ 222.6 |
| | | | |
| Loss and ALAE reserves—net of reinsurance | | | 114.1 |
| Unallocated LAE reserves | | | 7.7 |
| Ceded unpaid loss and LAE | | | 18.9 |
| Loss and LAE reserves—gross of reinsurance | | | $ 140.7 |

(1) Reported by claim event.

The following table sets forth the historical average annual percentage payout of incurred losses and LAE (claims duration), net of reinsurance, as of December 31, 2019:

| **Year** | **1** | **2** | **3** |
|---|---|---|---|
| Incremental Paid[1] | 52.9 % | 38.5 % | 8.6 % |

(1) Supplemental information and unaudited

## 6. REINSURANCE

The following table reflects amounts affecting the consolidated balance sheets and statements of operations and comprehensive loss for ceded reinsurance as of and for the years ended December 31:

| | 2018 | 2019 |
|---|---|---|
| | (dollars in millions) | |
| Loss & LAE reserves: | | |
| Direct | $ 33.3 | $ 140.7 |
| Ceded | (11.4) | (18.9) |
| Net loss and LAE reserves | $ 21.9 | $ 121.8 |
| Unearned premiums: | | |
| Direct | $ 47.3 | $ 145.4 |
| Ceded | (12.8) | (17.4) |
| Net unearned premiums | $ 34.5 | $ 128.0 |
| Premiums written: | | |
| Direct | $ 106.4 | $ 451.1 |
| Ceded | (32.8) | (82.3) |
| Net premiums written | $ 73.6 | $ 368.8 |
| Premiums earned: | | |
| Direct | $ 61.4 | $ 352.9 |
| Ceded | (21.2) | (77.6) |
| Net premiums earned | $ 40.2 | $ 275.3 |
| Losses and LAE incurred: | | |
| Direct | $ 67.9 | $ 395.0 |
| Ceded | (24.4) | (73.6) |
| Net losses and LAE incurred | $ 43.5 | $ 321.4 |

If our reinsurance was cancelled at December 31, 2018 and 2019, the maximum amount of return ceded commissions due with the return of unearned premiums would have been $2.0 million and $4.1 million, respectively. Our reinsurance recoverable on unpaid losses was $11.4 million and $26.7 million as of December 31, 2018 and 2019, respectively. As of December 31, 2018 and 2019, we recorded a provision for sliding scale commission of $1.1 million and $9.3 million, respectively, in reinsurance premiums payable on the consolidated balance sheets. As of December 31, 2018 and 2019, a provision for loss corridor of zero and $7.8 million, respectively, was recorded as a contra asset in reinsurance recoverable on the consolidated balance sheets.

## 7. EMPLOYEE BENEFIT PLANS

Beginning May 1, 2018, we became employer of record providing employees with employer-related health and welfare plans, including a defined contributory retirement plan, to which we contribute a percentage of an employee's salary and is fully vested. During the 2018 and 2019 periods the amounts contributed to employee benefit plans were immaterial.

## 8. LONG-TERM DEBT

On April 17, 2019, we closed on a $65.0 million term loan, or Term Loan A, to a group of syndicated financial institutions including SunTrust Bank (now known as Truist Bank), Huntington National Bank, Silicon Valley Bank, or, collectively, the Lenders. The maturity of Term Loan A is October 16, 2020. Interest is paid monthly and is determined on a floating interest rate calculated on the 1-month LIBOR plus an applicable margin of 4%.

On June 26, 2019, we finalized an incremental term loan joinder agreement of $35.0 million to upsize Term Loan A with an additional lender (Western Alliance Bank) to bring the total Term Loan A principal balance to $100 million.

On November 25, 2019, we entered into an amended and restated Term Loan A in conjunction with an additional closing on a note purchase agreement of $100.0 million, or Term Loan B, with Centerbridge Partners, L.P., a private equity investor, or collectively our term loans. The maturity of Term Loan B is November 25, 2024. Interest is determined on a floating interest rate calculated on the 3-month LIBOR plus an applicable margin of 7%. In the event LIBOR is no longer available to the market, we will enter into an amended agreement, in accordance with the current agreement's terms, to reflect the alternate rate of interest based on this successor rate. We have the option to pay interest in-kind, or PIK, on Term Loan B for up to 3 years, or the PIK Period, from the date of closing. PIK interest will be added to the principal balance every 3 months until the end of the PIK Period, and interest will subsequently be paid quarterly. Through the year ended December 31, 2019, we have elected to PIK interest on Term Loan B. As a part of closing of Term Loan B, we issued warrants to purchase 2.8 million shares of our common stock with a strike price of $0.0001 per share and an expiration date of November 25, 2026. These warrants are classified as liabilities, within long-term debt on the consolidated balance sheets, because they may be settled with a variable number of our shares. The nature of these variable warrants is such that the Term Loan B and warrants holder will earn a rate of return between 20% to 30%. Accordingly, the warrants contract does not limit the number of shares that we could be required to issue. The fair value of these options as of December 31, 2019 was $7.2499 per share. Interest expense of $0.4 million related to the warrants was recognized during the year-ended December 31, 2019 on the consolidated statements of operations and comprehensive loss. The debt discount associated with these warrants, net of accumulated amortization and issuance costs, as of December 31, 2019 is approximately $19.5 million presented as long-term debt and warrants on the consolidated balance sheets.

In connection with the amended and restated Term Loan A on November 25, 2019, Silicon Valley Bank exited the Term Loan A syndication and their $24.9 million of outstanding debt was reallocated to two of the existing holders of Term Loan A on a pro rata basis. This required us to escrow $24.9 million of cash for a potential pay down of the corresponding debt. The cash in escrow is reflected as restricted cash on the consolidated balance sheets as of December 31, 2019. In February 2020, we amended Term Loan A to add a new financial institution (Goldman Sachs Lending Partners LLC) to the syndicate in the amount of $12.5 million. Accordingly, $12.4 million of the $24.9 million escrowed funds was remitted to us and the other $12.5 million was remitted to the two aforementioned existing holders to pay down the pro rata portion of the reallocated Term Loan A.

The following summarizes the carrying value of long-term debt and warrants as of December 31, 2018 and 2019:

| | 2018 | 2019 |
|---|---|---|
| | (dollars in millions) | |
| Term Loan A | $ — | $ 99.5 |
| Term Loan B | — | 100.0 |
| Warrants | — | 20.3 |
| Note payable | 5.0 | — |
| Revolving line of credit | 10.0 | — |
| Total | 15.0 | 219.8 |
| | | |
| Accrued interest payable | 0.2 | 0.9 |
| Unamortized discount and debt and warrant issuance costs | (0.1) | (28.5) |
| Total | $ 15.1 | $ 192.2 |

The required principal payments on long-term debt are as follows:

| Years Ending | Amount |
|---|---|
| | (dollars in millions) |
| 2020 | $ 99.5 |
| 2021 | — |
| 2022 | — |
| 2023 | — |
| 2024 | 100.0 |
| Total | $ 199.5 |

## 9. INCOME TAXES

We had no income tax expense (benefit) for the years ended December 31, 2018 and 2019:

| | 2018 | 2019 |
|---|---|---|
| | (dollars in millions) | |
| Current: | | |
| Federal | $ — | $ — |
| State | — | — |
| Total current | — | — |
| Deferred: | | |
| Federal | $ — | $ — |
| State | — | — |
| Total deferred | — | — |
| Total income tax expense (benefit) | $ — | $ — |

The income tax expense (benefit) differed from the amounts computed by applying the statutory U.S. federal income tax rate of 21% in 2018 and 2019 to pretax income as a result of the following:

| | 2018 | | 2019 | |
|---|---|---|---|---|
| | (dollars in millions) | | | |
| Loss before income taxes | $ (69.1) | | $ (282.4) | |
| Statutory U.S. federal income tax benefit | $ (14.5) | 21.0 % | $ (59.3) | 21.0 % |
| Valuation allowance on deferred tax assets | 14.8 | (21.4) | 57.4 | (20.3) |
| Other | (0.3) | 0.4 | 1.9 | (0.7) |
| Income tax expense (benefit) | $ — | — % | $ — | — % |

The following table sets forth the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2018 and 2019:

| | 2018 | 2019 |
|---|---|---|
| | (dollars in millions) | |
| Deferred tax assets: | | |
| Unpaid losses and loss adjustment expenses | $ 0.2 | $ 0.9 |
| Unearned premium reserves | 1.5 | 5.4 |
| Deferred rent | — | 1.0 |
| Research and development credits | 0.4 | 0.9 |
| Debt issuance costs and discount | — | 0.7 |
| Accrued compensation | — | 0.7 |
| Other | 0.3 | 1.6 |
| Net operating loss carryforward | 18.0 | 69.7 |
| Gross deferred assets | 20.4 | 80.9 |
| Less valuation allowance | (19.4) | (76.8) |
| Total deferred tax assets, less valuation allowance | 1.0 | 4.1 |
| Deferred tax liabilities: | | |
| Internally developed software | 0.5 | 1.4 |
| Fixed assets | 0.2 | 1.8 |
| Deferred acquisition costs | 0.3 | 0.7 |
| Other | — | 0.2 |
| Deferred tax liabilities | 1.0 | 4.1 |
| Net deferred tax asset | $ — | $ — |

The above amounts were calculated in accordance with ASC 740 “Income Taxes.” The application of ASC 740 requires a company to evaluate the recoverability of deferred tax assets and to establish a valuation allowance if necessary to reduce the carrying value of the deferred tax asset to an amount which is more likely than not to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance we include many factors, including: (1) the nature of the deferred tax assets and liabilities; (2) whether they are ordinary or capital; (3) the timing of expected reversal; (4) taxable income in prior carry back years as well as projected taxable earnings exclusive of reversing temporary differences and carry forwards; (5) the length of time that carryovers can be used; (6) unique tax rules that would impact the utilization of the deferred tax assets; (7) and any tax planning strategies that we would employ to avoid a tax benefit expiring unused. Although lack of realization is not assured, we believe it is more likely than not that the deferred tax assets will not be realized. As such, a valuation allowance of $76.8 million has been established.

We have carryforwards related to net operating losses of $320.0 million of which $208.8 million begin to expire in tax years 2035 through 2039, with the remaining $111.2 million carried forward indefinitely. We also have carryforwards for credits related to research and development costs of $0.9 million which expire between tax years 2036 through 2038, and state operating losses of $29.6 million which expire between tax years 2029 through 2039.

We file a consolidated federal income tax return and certain state income tax returns. Tax years subsequent to 2016 are still subject to U.S. federal examinations. The federal statute of limitations is generally three years. Currently all state income and franchise tax returns are within each taxing authorities statute of limitations and are still subject to examination.

**10. CAPITAL STOCK**

On September 20, 2019, 21.2 million Series E preferred shares were issued (as part of the “Series E Transaction”) to investors at a price per share of $16.4906 for a total cash contribution of $350.0 million. Additionally, the Series E transaction was considered a qualifying event for the Simple Agreement for Future Equity ("SAFE") that was originally entered into with an outside investor in June 2019 for a total cash contribution of $10.0 million. The SAFE was recorded as a liability prior to the Series E transaction. In accordance with the terms of the agreement, the SAFE converted into 1.3 million Series E preferred shares at a conversion price of $7.7842 per share. As of December 31, 2019, we recognized $11.2 million in interest expense in the consolidated statements of operations and comprehensive loss due to the change in fair value between the issuance date and the conversion date of the SAFE. As part of the Series E transaction, our certificate of incorporation was amended, authorizing 266.0 million common shares of voting stock, 40.5 million of Series A preferred voting stock, 41.8 million Series B preferred voting stock, 35.4 million Series C voting preferred shares, 19.6 million of Series D preferred voting stock and 30.1 million of Series E preferred voting stock. All classes of stock have a par value of $0.0001 per share.

On January 2, 2019 a holder of 1.3 million Series C non-voting preferred shares converted its shares to Series C voting preferred shares.

On December 19, 2018, a holder of 1.8 million Series C non-voting preferred shares converted its shares to C voting preferred shares.

On November 1, 2018, 19.3 million Series D voting preferred shares were issued (as part of the “Series D Transaction”) to both inside and outside investors at a price per share of $5.17071 for a total cash contribution of $100.0 million. As part of the Series D transaction, our certificate of incorporation was amended, authorizing 240 million common shares of voting stock, 40.5 million of Series A preferred voting stock, 41.8 million Series B preferred voting stock, 35.4 million Series C voting preferred shares, and 3.1 million Series C non-voting preferred shares. All classes of stock have a par value of $0.0001 per share.

On June 19, 2018, a 10-for-1 stock split was approved by our Board of Directors for our common and preferred stock. As part of the stock split, our certificate of incorporation was amended, authorizing 180.0 million common shares of voting stock, 40.5 million of Series A preferred voting stock, 41.8 million Series B preferred voting stock, 35.8 million Series C voting preferred shares, and 3.2 million Series C non-voting preferred shares. All classes of stock have a par value of $0.0001 per share.

On March 16, 2018, 32.3 million Series C voting preferred shares and 3.1 million Series C non-voting preferred shares were purchased (as part of the “Series C Transaction”) by both inside and outside investors at a price per share of $1.44206 for a total cash contribution of $51.0 million. Series C non-voting preferred shares may be converted at any time to voting preferred shares by the holder of the non-voting shares. As part of the Series C Transaction, our certificate of incorporation was amended, authorizing 180.0 million common shares of voting stock, 40.5 million of Series A preferred voting stock, 41.8 million Series B preferred voting stock, 35.8 million Series C preferred voting stock and 3.2 million Series C preferred non-voting stock. All classes of stock have a par value of $0.0001 per share.

In the event that the IPO of common stock results in proceeds of at least $75.0 million, net of the underwriting discount and commissions, all outstanding shares of preferred stock with the consent of the holders will be subject to a mandatory conversion to common stock. The following is considered to be consent for each series of preferred stock: 65% of holders for Series A and B, 50% of holders for Series C and D and 70% of holders for Series E.

Shares of each series of our preferred stock are also convertible at any time, at the option of the holders, into shares of our common stock at a conversion price equal to the original issue price for each series of preferred stock. Events which may trigger an adjustment to the conversion price include certain changes in our common stock dividend rate, stock splits of our outstanding common stock into a greater number of shares, combinations of our outstanding common stock into a smaller number of shares, any reorganization, recapitalization, reclassification, consolidation or merger involving us in which the common stock is converted into or exchanged for certain securities, cash or other property, and the IPO of our common stock results in an initial price per share that is less than $24.74 per share. No such events have occurred.

Fractional shares of common stock shall not be issued upon conversion of preferred stock. In lieu of any fractional shares to which the holder would otherwise be entitled, we shall pay cash equal to such fraction multiplied by the fair market value of a share of common stock.

After a specified period, we have the option to redeem preferred stock at its redemption price. The redemption price is equal to the greater of 1) the original issue price per share, plus all declared but unpaid dividends or 2) the fair market value of a single share of such series of preferred stock as of the date of receipt of the redemption request.

The following table displays our capital stock as of December 31:

| | 2018 | | | 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares Authorized | Shares Issued and Outstanding | Carrying Value | Shares Authorized | Shares Issued and Outstanding | Carrying Value | Common Stock Issuable Upon Conversion | Conversion Price Per Share | Redeemable on or After |
| | (in millions, except per share amounts) | | | | | | | | |
| Common Stock-Voting[1] | 240.0 | 41.5 | $ — | 266.0 | 44.4 | $ — | — | | |
| **Preferred Stock[1]** | | | | | | | | | |
| Preferred-Series A Redeemable Convertible[2] | 40.5 | 40.0 | 5.1 | 40.5 | 40.0 | $ 5.1 | 40.0 | $0.03 - $0.29 | September 6, 2026 |
| Preferred-Series B Redeemable Convertible | 41.8 | 41.7 | 33.7 | 41.8 | 41.7 | 33.7 | 41.7 | 0.81 | September 6, 2026 |
| Preferred-Series C Redeemable Convertible - Voting | 35.4 | 34.1 | 49.0 | 35.4 | 35.4 | 50.9 | 35.4 | 1.44 | September 6, 2026 |
| Preferred-Series C Redeemable Convertible - Nonvoting | 3.1 | 1.3 | 1.9 | — | — | — | — | — | — |
| Preferred-Series D Redeemable Convertible | 19.6 | 19.3 | 99.9 | 19.6 | 19.3 | 99.9 | 19.3 | 5.17 | September 6, 2026 |
| Preferred-Series E Redeemable Convertible[3] | — | — | — | 30.1 | 22.5 | 370.8 | 22.5 | 7.78 - 16.49 | September 6, 2026 |
| Total Preferred Stock | 140.4 | 136.4 | $ 189.6 | 167.4 | 158.9 | $ 560.4 | $ 158.9 | | |

(1) All classes of stock have a par value of $0.0001 per share
(2) Shares issued for Series A-1 had a conversion price of $0.03. Shares issued for Series A-2 had a conversion price of $0.11. Shares issued for Series A-3 had a conversion price of $0.29. Collectively these shares are referred to as Series A.
(3) Shares issued for Series E had a conversion price of $16.49. Shares issued for Series E-1 had a conversion price of $7.78. Collectively these shares are referred to as Series E.

| | 2018 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Shares Authorized | Shares Issued and Outstanding | Carrying Value | Redemption Value | Shares Authorized | Shares Issued and Outstanding | Carrying Value | Redemption Value |
| | (in millions, except per share amounts) | | | | | | | |
| **Preferred Stock[1]** | | | | | | | | |
| Preferred-Series A Redeemable Convertible | 40.5 | 40.0 | $ 5.1 | $ 5.0 | 40.5 | 40.0 | $ 5.1 | $ 5.0 |
| Preferred-Series B Redeemable Convertible | 41.8 | 41.7 | 33.7 | 33.8 | 41.8 | 41.7 | 33.7 | 33.8 |
| Preferred-Series C Redeemable Convertible - Voting | 35.4 | 34.1 | 49.0 | 49.1 | 35.4 | 35.4 | 50.9 | 51.0 |
| Preferred-Series C Redeemable Convertible - Nonvoting | 3.1 | 1.3 | 1.9 | 1.9 | — | — | — | — |
| Preferred-Series D Redeemable Convertible | 19.6 | 19.3 | 99.9 | 100.0 | 19.6 | 19.3 | 99.9 | 100.0 |
| Preferred-Series E Redeemable Convertible | — | — | — | — | 30.1 | 22.5 | 370.8 | 360.0 |
| Total Preferred Stock | 140.4 | 136.4 | 189.6 | $ 189.8 | 167.4 | 158.9 | 560.4 | $ 549.8 |

(1) All classes of stock have a par value of $0.0001 per share

Other rights, privileges, and preferences of the common and preferred stock are as follows:

***Dividends***—The voting, dividend, and liquidation rights of the holders of the common stock are subject to and qualified by the rights, powers, and preferences of the holders of the preferred stock.

We shall not declare, pay, or set aside any dividends on shares of any other class or series of capital stock unless the holders of the preferred stock then outstanding shall first receive, or simultaneously receive, a dividend.

***Voting Rights***—The holders of Series A preferred stock, the holders of Series B preferred stock, and the holders of the voting Series C preferred stock, each voting as a separate class, are each entitled to elect one board member. The common stockholders, voting as a single class of stock, are entitled to elect three common directors, one of whom is required to be the CEO of Root. A seventh non-affiliated board member is elected by a majority of the preferred holders and a majority of the common holders.

***Liquidation Preferences***—In the event of any liquidation, dissolution, or winding up of our business whether voluntary or involuntary, the holders of preferred stock are entitled to receive, prior to and in preference of any distribution to other stockholders, an amount per share equal to the greater of (a) the original issue price of the preferred stock plus all declared and unpaid dividends on the preferred stock or (b) the amount per share that would be distributed if all shares of the applicable series of preferred stock was converted into common stock immediately prior to a Liquidation Event (as defined in the certificate of incorporation of Root, as amended). Thereafter, any remaining proceeds shall be distributed to the common stockholders on a pro-rata basis.

***Redemption and balance sheet classification***—The redeemable convertible preferred stock is recorded in mezzanine equity because while it is not mandatorily redeemable, it will become redeemable at the option of the preferred stockholders upon the occurrence of a deemed liquidation event that is considered not solely within our control.

## 11. SHARE-BASED COMPENSATION

We maintain an equity incentive plan, the 2015 Equity Incentive Plan, or the Plan, for the issuance and grant of equity awards (restricted stock, and incentive and nonqualified stock options) to its officers, directors, employees and certain advisors.

As of September 2019, the number of shares authorized under the Plan was increased from 40.0 million to 45.4 million authorized common shares.

The fair value of each stock option award is estimated on the date of grant using a BSM option-pricing model that uses the weighted-average assumptions noted in the following table. Expected volatilities are based on historical volatility of comparable publicly held companies. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. We account for forfeitures as they occur.

The assumptions used in the BSM option-pricing model for options granted by us in 2019 are as follows:

| | 2019 | | | |
|---|---|---|---|---|
| | Range | | | Weighted-Average |
| Expected term (in years) | | | | 6.2 |
| Interest rate | 1.4% | - | 2.4% | 2.2 % |
| Volatility | 19.8% | - | 20.4% | 21.3 % |
| Fair market value | | | | 0.80 |

A summary of option activity for the years ended December 31, 2018 and 2019 is as follows:

| | 2018 | | |
|---|---|---|---|
| Options | Number of Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (in Years) |
| | (in millions, except exercise price and term amounts) | | |
| Outstanding at January 1, 2018 | 6.3 | $ 0.09 | 9.27 |
| Granted | 11.0 | 0.84 | |
| Exercised | (5.8) | 0.59 | |
| Forfeited, expired or canceled | (0.7) | 0.53 | |
| Outstanding at December 31, 2018 | 10.8 | 0.60 | 8.62 |

| | 2019 | | |
|---|---|---|---|
| Options | Number of Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (in Years) |
| | (in millions, except exercise price and term amounts) | | |
| Outstanding at January 1, 2019 | 10.8 | $ 0.60 | 8.62 |
| Granted | 5.3 | 2.75 | |
| Exercised | (2.9) | 0.97 | |
| Forfeited, expired or canceled | (0.9) | 0.46 | |
| Outstanding at December 31, 2019 | 12.3 | 1.42 | 8.22 |

For the years ended December 31, 2018 and 2019, $0.1 million and $10.0 million of share-based compensation was recorded within the consolidated statements of operations and comprehensive loss, respectively. In February 2019, a current investor completed a tender offer for common stock from vested shareholders, many of whom are current employees or members of the Board of Directors. To encourage participation, the tender offer was made at a price in excess of the fair value of our common stock. As a result we recognized $8.6 million of share-based compensation expense. As of December 31, 2019, there was $4.8 million of total unrecognized compensation cost related to share-based compensation. The remaining cost is expected to be recognized over a period of six years.

A summary of total options outstanding and exercisable at December 31, 2019:

| | Options Outstanding | | | Options Exercisable | | |
|---|---|---|---|---|---|---|
| Options | Number of Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (in Years) | Number of Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (in Years) |
| | (in millions, except exercise price and term amounts) | | | | | |
| Range of Exercise Prices: | | | | | | |
| $0.01 - $1.00 | 6.4 | $ 0.23 | 7.22 | 6.4 | $ 0.23 | 7.22 |
| $1.00 - $2.50 | 5.5 | $ 2.40 | 9.28 | 5.5 | $ 2.40 | 9.28 |
| $2.50 - $7.50 | 0.4 | $ 7.25 | 9.87 | 0.4 | $ 7.25 | 9.87 |

The intrinsic value for stock options is defined as the difference between the current market value and the grant price. For the years ended December 31, 2018 and 2019, the total intrinsic value of stock options exercised was $17.8 million and $18.6 million, respectively.

The Plan permits the optionee to early exercise to obtain preferred tax treatment before the completion of the award's requisite service or vesting period. If the employee terminates employment before the end of this period, the Plan requires us to repurchase the shares at the exercise price of the award. The repurchase feature is used to require

the employee to remain through the requisite service or vesting period to receive the full economic benefit of the award.

Given the repurchase feature functions as a forfeiture provision for nonvested shares, we record the exercise cost of nonvested shares as a deposit liability for those shares settling in cash. As the shares vest, the deposit liability is reduced and Paid-In Capital is increased. As of December 31, 2018 and 2019, the early exercise deposit liability was $0.1 million and $1.5 million, respectively, and is included in other liabilities on the consolidated balance sheets.

## 12. RELATED PARTY LOANS

In July 2018 and April 2019, we entered into partial recourse promissory notes with several key employees for which proceeds were used to exercise 5.6 million in common stock options. The "recourse portion" of the note is an amount equal to 50% of the initial principal amount plus interested accrued on 100% of the principal amount, while the "non-recourse portion" is equal to 50% of the initial principal amount. The loans total $4.3 million. Interest is due on the unpaid balances at a weighted-average interest rate of 2.80% compounded annually. As the stated interest rate was below the market rate that would have been charged for a loan of this nature, the transaction was accounted for as a modification of the stock options. An incremental expense was determined based on the difference in the fair value of the options immediately prior to the modification and the modified fair value.

While we recognize the exercised options as shares outstanding, we have not recognized the impact of the underlying loan transaction and option exercise as the transaction is considered a non-recourse receivable in accordance with ASC 718, Compensation—Stock Compensation. These loans will no longer be outstanding prior to the initial public filing of the registration statement.

## 13. COMMITMENTS AND CONTINGENCIES

We lease our office facilities under various non-cancelable operating lease agreements that expire in various years through August 2026. Some of these leases provide for payment by the lessee of property taxes, insurance premiums, cost of maintenance and other costs.

During the normal course of business, we also enter into various agreements to purchase services, primarily data and information technology based services, that are enforceable and legally binding. Certain supply contracts contain penalty provisions for early termination, in addition to variable costs that are based on volume and usage. We do not expect to incur penalty payments under these provisions that would materially affect our financial position, results of operations or cash flows.

The following table summarizes by remaining maturity, future commitments related to operating leases and other arrangements as of December 31, 2019:

| | Operating Leases | Purchase Obligations |
|---|---|---|
| | (dollars in millions) | |
| 2020 | $ 3.3 | $ 2.3 |
| 2021 | 3.2 | 2.0 |
| 2022 | 3.2 | 0.1 |
| 2023 | 3.2 | — |
| 2024 | 3.0 | — |
| 2025 and thereafter | 0.4 | — |
| Total | $ 16.3 | $ 4.4 |

Base rent and related rent expenses was $0.4 million and $2.4 million for the years ended December 31, 2018 and 2019, respectively.

We entered into office leases during 2018 and 2019. As part of the lease, the lessor provided us with tenant improvement incentives. These non-cash incentives were $2.6 million and $1.5 million as of December 31, 2018 and 2019, respectively, and have been capitalized as a leasehold improvement asset with an offset to deferred rent as part of other liabilities on the consolidated balance sheets. These leasehold improvement incentives are being amortized on a straight-line basis over the lease period as part of depreciation and amortization with deferred rent amortization offset against rent expense and included in general and administrative expenses on the consolidated statements of operations and comprehensive loss.

There are no litigation matters outstanding or pending that will have a material effect on our financial position or results of operations.

We are contingently liable for possible future assessments under regulatory requirements for insolvencies and impairments of unaffiliated insurance companies.

## 14. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents the changes in our accumulated other comprehensive income, or AOCI, for the years ended December 31, 2018 and 2019:

| | Change in net unrealized gains on investment | Total |
|---|---|---|
| | (dollars in millions) | |
| **Balance, January 1, 2018** | $ — | $ — |
| Other comprehensive income before reclassifications | — | — |
| Amounts reclassified from AOCI to net income | — | — |
| Net current period other comprehensive income | — | — |
| **Ending balance, December 31, 2018** | — | — |
| Other comprehensive income before reclassifications | 0.6 | 0.6 |
| Amounts reclassified from AOCI to net income | — | — |
| Net current period other comprehensive income | 0.6 | 0.6 |
| **Ending balance, December 31, 2019** | $ 0.6 | $ 0.6 |

There were no components of AOCI reclassified to the consolidated statements of operations and comprehensive loss for the years ended December 31, 2018 and 2019.

## 15. LOSS PER SHARE

EPS is presented for both basic EPS and diluted EPS. We compute basic EPS by dividing net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. In addition to common shares outstanding, the computation of basic EPS includes instruments for which the holder has (or is deemed to have) the present rights as of the end of the reporting period to share in current period earnings (loss) with common stockholders (i.e., participating securities and common shares that are currently issuable for little or no cost to the holder). We also include in the denominator of our basic EPS computation the weighted-average number of shares of common stock that would be issued upon the full exercise of the warrants. These warrants have an insignificant exercise price of $0.0001 per share and are therefore considered outstanding common shares for computation of basic EPS.

Diluted EPS includes all the components of basic EPS, plus the dilutive effect of common stock equivalents such as convertible securities and stock options, but excludes those common stock equivalents from the calculation of diluted EPS when the effect of inclusion, assessed individually, would be anti-dilutive. The calculation of income available to common stockholders and EPS is based on the underlying premise that all income after payment of dividends on preferred shares is available to and will be distributed to the common stockholders.

The following table displays the computation of basic and diluted loss per share of common stock:

| | December 31, | |
|---|---|---|
| | 2018 | 2019 |
| | (in millions, except per share amounts) | |
| Net loss | $ (69.1) | $ (282.4) |
| Weighted-average common shares outstanding: basic and diluted | 25.3 | 33.9 |
| Loss per common share: basic and diluted | $ (2.73) | $ (8.33) |

We excluded the following potential common shares, presented based on amounts outstanding at each year end, from the computation of diluted net loss per share attributable to common stockholders for the years indicated because including them would have had an anti-dilutive effect:

| | December 31, | |
|---|---|---|
| | 2018 | 2019 |
| | (in millions) | |
| Options to purchase common stock | 10.8 | 12.3 |
| Redeemable convertible preferred stock (as converted to common stock) | 136.4 | 158.9 |
| Warrants to purchase redeemable convertible preferred stock (as converted to common stock) | 0.6 | 0.6 |
| | 147.8 | 171.8 |

The unaudited pro forma basic and diluted net loss per share attributable to common stockholders has been prepared to give effect to adjustments arising upon the completion of the proposed IPO. The unaudited pro forma net loss attributable to common stockholders used in the calculation of unaudited pro forma basic and diluted net loss per share attributable to common stockholders gives effect, upon the proposed IPO, to (i) the conversion of shares of preferred stock into shares of common stock as if the proposed IPO had occurred on the later of January 1, 2019 or the issuance date of the preferred stock, and (ii) the settlement of our related party loans as if it had occurred on January 1, 2019 or the issuance date of the related party loan.

Unaudited pro forma basic and diluted net loss per share attributable to common stockholders was calculated as follows:

| | December 31, 2019 |
|---|---|
| | (in millions, except per share amounts) |
| Pro forma net loss | $ (282.4) |
| Weighted-average common shares outstanding: basic and diluted | 33.9 |
| Pro forma adjustment to reflect automatic conversion of redeemable convertible preferred stock into common stock upon the closing of the proposed IPO | 143.6 |
| Pro forma adjustment to reflect common shares outstanding upon Settlement of Executive Promissory Notes | 5.4 |
| Pro forma weighted-average common shares outstanding — basic and diluted | 182.9 |
| Pro forma net loss per share: basic and diluted | $ (1.54) |

## 16. STATUTORY FINANCIAL INFORMATION

We are required to prepare statutory financial statements in conformity with the basis of accounting practices prescribed or permitted by the Ohio DOI. Ohio has adopted the National Association of Insurance Commissioners', or NAIC, statutory accounting practices as the basis of its statutory accounting practices. Root Insurance Company

maintained statutory capital and surplus and had statutory net loss as of and for the years ended December 31, 2018 and 2019, as follows:

| | Year ended December 31, | |
|---|---|---|
| | 2018 | 2019 |
| | (in millions) | |
| Statutory capital and surplus | $ 73.5 | $ 152.3 |
| Statutory net income/(loss) | $ (58.3) | $ (157.6) |

The payment of dividends by us is subject to restrictions set forth in the insurance laws and regulations of the State of Ohio. The State of Ohio insurance laws require Ohio-domiciled insurance companies to notify the superintendent of the Ohio DOI to seek prior regulatory approval to pay a dividend or distribute cash or other property if the fair market value thereof, together with that of other dividends or distributions made in the preceding twelve months, exceeds the greater of (1) 10% of statutory-basis policyholders' surplus as of the prior December 31 or (2) the statutory-basis net income of the insurer as of the prior December 31. During the years ended December 31, 2018 and 2019, we did not pay any dividends.

The State of Ohio insurance laws also require insurers to seek prior regulatory approval for any dividend paid from other than earned surplus. Earned surplus is defined under the State of Ohio insurance laws as the amount equal to our unassigned funds as set forth in its most recent statutory financial statements, including net unrealized capital gains and losses. Additionally, following any dividend, an insurers policyholder surplus must be reasonable in relation to the insurer's outstanding liabilities and adequate for its financial needs.

The NAIC Risk-Based Capital, or RBC, model law requires every insurer to calculate its total adjusted capital and RBC requirement to ensure insurer solvency. Regulatory guidelines provide for an insurance commissioner to intervene if the insurer experiences financial difficulty, as evidenced by a company's total adjusted capital falling below established relationships to required RBC. The model includes components for asset risk, liability risk, interest rate exposure and other factors. The State of Ohio imposes minimum RBC requirements that are developed by the NAIC. The formulas in the model for determining the amount of RBC specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio of total adjusted capital to authorized control level RBC, as defined by the NAIC. Companies below specific trigger points or ratios are classified within certain levels, all of which require specified corrective action. Our filings, in accordance with statutory accounting principles, exceeded the minimum RBC requirements for the years ended December 31, 2018 and 2019.

## 17. GEOGRAPHICAL BREAKDOWN OF DIRECT WRITTEN PREMIUM

Direct written premium ("DWP") by state is as follows ($ in millions):

| | December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2019 | |
| | Amount | % of DWP | Amount | % of DWP |
| **State** | (dollars in millions) | | | |
| Texas | 34.2 | 32.1 % | 94.7 | 21.0 % |
| Kentucky | 11.0 | 10.3 | 46.5 | 10.3 |
| Georgia | — | — | 44.0 | 9.7 |
| Arizona | 9.1 | 8.6 | 26.7 | 5.9 |
| Pennsylvania | 5.2 | 4.9 | 25.2 | 5.6 |
| Ohio | 9.0 | 8.5 | 22.8 | 5.0 |
| Missouri | 4.6 | 4.3 | 22.0 | 4.9 |
| Utah | 5.5 | 5.2 | 17.6 | 3.9 |
| Maryland | 2.6 | 2.4 | 16.5 | 3.7 |
| Louisiana | 3.8 | 3.6 | 15.3 | 3.4 |
| All others states | 21.4 | 20.1 | 119.8 | 26.6 |
| **Total** | 106.4 | 100.0 % | 451.1 | 100.0 % |

## 18. SUBSEQUENT EVENTS

In February 2020, we amended Term Loan A to add a new financial institution to the syndicate in the amount of $12.5 million. Accordingly, $12.4 million of the $24.9 million escrowed funds was remitted to us and the other $12.5 million was remitted to two existing holders to pay down a portion of Term Loan A. See Note 8, "Long-Term Debt," for further discussion.

In March 2020, a current investor completed a tender offer for common stock from vested shareholders, many of whom are current employees or members of the Board of Directors. To encourage participation, the tender offer was made at a price in excess of the fair value of our common stock. As a result, in 2020 we recognized $25.1 million of share-based compensation expense.

In December 2019, COVID-19 was first reported in Wuhan, China and in March 2020, the World Health Organization declared a global pandemic. The global pandemic has severely impacted businesses worldwide, including within the insurance industry. We have been impacted by certain individual state bulletins that outline COVID-19 premium relief efforts, including restrictions on the ability to cancel policies for non-payment, requiring deferral of insurance premium payments for up to 60 days and restrictions on increasing policy premiums. COVID-19 has impacted and may further impact the broader economic environment, including negatively impacting unemployment levels, economic growth, the proper functioning of financial and capital markets and interest rates. As the COVID-19 pandemic continues to develop, there is uncertainty around the severity and duration of the pandemic and the pandemic's potential change on our business and our financial performance.

In April 2020, we entered into a Stock Purchase Agreement to purchase a shell insurance company, subject to regulatory approvals. We plan to close the acquisition later in 2020. This acquisition will expand our ability to sell personal auto insurance in 48 states and the District of Columbia.

Subsequent events have been evaluated through August 10, 2020, which is the date the financial statements were issued.

**ROOT, INC. and CARET HOLDINGS, INC.**
**Schedule II: Condensed Combined Financial Information of Registrant**
**Balance Sheets (Parent Company)**
**(in millions, except par value)**

| | December 31, 2018 | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| Fixed maturities available-for sale, at fair value (amortized cost: $1.7 and $0.0, respectively) | $ 1.7 | $ — |
| Cash and cash equivalents | 41.6 | 193.2 |
| Restricted cash | — | 24.9 |
| Investments in subsidiaries | 45.9 | 137.0 |
| Fixed assets, net | 3.6 | 10.1 |
| Other assets | 1.4 | 6.3 |
| Intercompany receivable | 13.5 | 18.2 |
| Total Assets | $ 107.7 | $ 389.7 |
| **Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Deficit** | | |
| Liabilities: | | |
| Long-term debt and warrants | $ 15.1 | $ 192.2 |
| Accounts payable and accrued expenses | 0.3 | 4.4 |
| Other liabilities | 2.9 | 6.7 |
| Intercompany payable | 2.5 | — |
| Total Liabilities | 20.8 | 203.3 |
| Commitments and Contingencies | | |
| Redeemable convertible preferred stock, $0.0001 par value, 136.4 and 158.9 shares issued and outstanding at December 31, 2018, and 2019, respectively (liquidation preference of $189.8 and $549.8, respectively) | 189.6 | 560.4 |
| Stockholders' Deficit: | | |
| Common stock, $0.0001 par value, 41.5 and 44.4 shares issued and outstanding at December 31, 2018, and 2019, respectively | — | — |
| Treasury stock, at cost | (0.1) | (0.1) |
| Additional paid-in capital | — | 10.5 |
| Accumulated other comprehensive income | — | 0.6 |
| Accumulated loss | (102.6) | (385.0) |
| Total stockholders' deficit | (102.7) | (374.0) |
| Total liabilities, redeemable convertible preferred stock and stockholders' deficit | $ 107.7 | $ 389.7 |

See Notes to the Condensed Combined Financial Statements

**ROOT, INC. and CARET HOLDINGS, INC.**
**Schedule II: Condensed Combined Financial Information of Registrant**
**Statements of Operations and Comprehensive Loss (Parent Company)**
**(in millions)**

| | December 31, | |
|---|---|---|
| | 2018 | 2019 |
| Net Investment Income | $ 0.4 | $ 1.6 |
| Total Revenue | 0.4 | 1.6 |
| Operating Expenses: | | |
| Technology and development | — | 3.5 |
| General and administrative | 0.4 | 15.7 |
| Total Operating Expenses | 0.4 | 19.2 |
| Interest Expense | 0.9 | 22.3 |
| Total Other Expenses | 0.9 | 22.3 |
| Net Loss before Equity Loss of Subsidiaries | (0.9) | (39.9) |
| Net Loss of Subsidiaries | (68.2) | (242.5) |
| Net Loss | (69.1) | (282.4) |
| Other comprehensive income of subsidiaries | — | 0.6 |
| Comprehensive loss | $ (69.1) | $ (281.8) |

See Notes to the Condensed Combined Financial Statements

**ROOT, INC. and CARET HOLDINGS, INC.**
**Schedule II: Condensed Combined Financial Information of Registrant**
**Statements of Cash Flows (Parent Company)**
**(in millions)**

| | December 31, | |
|---|---|---|
| | 2018 | 2019 |
| **Cash flows from operating activities:** | | |
| Net Loss | $ (69.1) | $ (282.4) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Share-based compensation | 0.1 | 1.4 |
| Tender offer | — | 8.6 |
| Depreciation and amortization, net | 0.2 | 3.5 |
| Change in equity in subsidiaries | 68.2 | 242.5 |
| SAFE fair value adjustment | — | 11.2 |
| Changes in operating assets and liabilities: | | |
| Other assets | (1.1) | (1.2) |
| Accounts payable and accrued expenses | (0.4) | 4.9 |
| Other liabilities | 0.3 | 1.4 |
| Intercompany, net | (11.0) | (7.2) |
| Net cash used in operating activities | (12.8) | (17.3) |
| **Cash flows from investing activities:** | | |
| Purchases of fixed maturities available-for-sale | (9.8) | — |
| Proceeds from maturities, call and pay downs of available-for-sale securities | 8.2 | 1.7 |
| Capitalization of internally developed software | — | (3.9) |
| Purchases of fixed assets | (1.0) | (6.5) |
| Investment in subsidiaries | (95.0) | (333.0) |
| Net cash used in investing activities | (97.6) | (341.7) |
| **Cash flows from financing activities:** | | |
| Proceeds from exercise of stock options | 0.1 | 1.9 |
| Proceeds from issuance of preferred stock | 151.0 | 350.0 |
| Stock issuance costs | (0.2) | (0.4) |
| Proceeds from debt and warrants issuance | — | 200.0 |
| Debt and warrants issuance costs | — | (10.5) |
| Repayments of long-term debt | — | (15.5) |
| Proceeds from SAFE | — | 10.0 |
| Net cash provided by financing activities | 150.9 | 535.5 |
| Net increase in cash and cash equivalents | 40.5 | 176.5 |
| Cash, cash equivalents and restricted cash at beginning of year | 1.1 | 41.6 |
| Cash, cash equivalents and restricted cash at end of year | $ 41.6 | $ 218.1 |
| **Supplemental disclosures:** | | |
| Interest paid | $ 0.8 | $ 4.3 |
| Federal income taxes paid | — | — |
| Leasehold improvements - noncash | 2.6 | 1.5 |
| Conversion of SAFE to preferred stock - noncash | — | 11.2 |

See Notes to the Condensed Combined Financial Statements

**ROOT, INC. and CARET HOLDINGS, INC.**
**Notes to the Condensed Combined Financial Statements (Parent Company)**

**1. Business**

Root, Inc. is a holding company which was formed in 2015 to develop and launch a direct-to-consumer personal automobile insurance and mobile technology company. In August 2019 a new holding company, Root Stockholdings, Inc., was formed, which became the parent of Root, Inc. and maintains 100% ownership of Root, Inc. In September 2020 Root, Inc. changed its name to Caret Holdings, Inc. and Root Stockholdings, Inc. changed its name to Root, Inc.

**2. Accounting Policies**

**Basis of Combination**—The condensed combined financial statements include the accounts of Root, Inc. and its wholly owned subsidiary, Caret Holdings, Inc., are prepared in accordance with accounting principles generally accepted in the United States. These financial statements have been combined in order to present comparative parent company financial statements for 2018 and 2019 and should be read in conjunction with our consolidated financial statements.

**Use of Estimates**—The preparation of condensed combined financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**3. Guarantees**

Root, Inc. entered into an agreement with the Superintendent of Insurance, State of Ohio, (the “Superintendent”) guaranteeing that Root Insurance Company will maintain certain capital and surplus requirements or risk-based capital levels, whichever is greater, and such additional surplus as the Superintendent requires. The guarantee remains in effect until such time as the Superintendent may release Root, Inc. in writing.

**ROOT, INC. AND SUBSIDIARIES**
**Schedule V: Valuation and Qualifying Accounts**
**For the Years Ended December 31, 2018 and 2019**
**(in millions)**

| | Balance at beginning of period | Additions | | Deductions | Balance at end of period |
|---|---|---|---|---|---|
| | | Charged to costs and expenses | Charge to other accounts | | |
| Year Ended December 31, 2018 | | | | | |
| Valuation allowance for deferred tax assets | $ 4.6 | $ 14.8 | $ — | $ — | $ 19.4 |
| Allowance for premium receivables | $ — | $ 0.3 | $ — | $ (0.3) | $ — |
| | | | | | |
| Year Ended December 31, 2019 | | | | | |
| Valuation allowance for deferred tax assets | $ 19.4 | $ 57.4 | $ — | $ — | $ 76.8 |
| Allowance for premium receivables | $ — | $ 9.0 | $ — | $ (7.0) | $ 2.0 |

**ROOT, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED**

| | As of | | Pro Forma |
|---|---|---|---|
| | December 31, 2019 | June 30, 2020 | June 30, 2020 |
| | (in millions, except par value ) | | |
| **Assets** | | | |
| Investments: | | | |
| Fixed maturities available-for sale, at fair value (amortized cost: $118.7 and $209.7 at December 31, 2019, and June 30, 2020, respectively) | $ 119.3 | $ 215.2 | $ 215.2 |
| Short-term investments (amortized cost: $3.5 and $7.2 at December 31, 2019, and June 30, 2020, respectively) | 3.5 | 7.2 | 7.2 |
| Total investments | 122.8 | 222.4 | 222.4 |
| Cash and cash equivalents | 391.7 | 240.9 | 240.9 |
| Restricted cash | 24.9 | 1.0 | 1.0 |
| Premiums receivable, net of allowance of $2.0 and $3.9, respectively | 122.7 | 130.1 | 130.1 |
| Reinsurance recoverable | 25.3 | 42.7 | 42.7 |
| Prepaid reinsurance premiums | 17.4 | 40.8 | 40.8 |
| Fixed assets, net | 10.2 | 10.2 | 10.2 |
| Deferred acquisition costs | 3.3 | 3.3 | 3.3 |
| Other assets | 10.3 | 15.4 | 15.4 |
| Total assets | $ 728.6 | $ 706.8 | $ 706.8 |
| **Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)** | | | |
| Liabilities: | | | |
| Loss and loss adjustment expense reserves | $ 140.7 | $ 190.3 | $ 190.3 |
| Unearned premiums | 145.4 | 156.1 | 156.1 |
| Long-term debt and warrants | 192.2 | 190.1 | 168.2 |
| Reinsurance premiums payable | 25.7 | 59.6 | 59.6 |
| Accounts payable and accrued expenses | 29.8 | 29.7 | 29.7 |
| Other liabilities | 8.4 | 7.8 | 7.8 |
| Total liabilities | 542.2 | 633.6 | 611.7 |
| Commitments and Contingencies (Note 11) | | | |
| Redeemable convertible preferred stock, $0.0001 par value, 158.9 and 161.8 shares issued and outstanding at December 31, 2019, and June 30, 2020, respectively (liquidation preference of $549.8 and $597.5 at December 31, 2019, and June 30, 2020, respectively), no shares issued and outstanding, pro forma at June 30, 2020 (Note 8) | 560.4 | 560.4 | — |
| Stockholders' equity (deficit): | | | |
| Common stock, $0.0001 par value, 44.4 and 41.4 shares issued and outstanding at December 31, 2019, and June 30, 2020, respectively, 206.0 shares issued and outstanding, pro forma at June 30, 2020 (Note 8) | — | — | — |
| Treasury stock, at cost | (0.1) | (0.8) | (0.8) |
| Additional paid-in capital | 10.5 | 37.6 | 664.2 |
| Accumulated other comprehensive income | 0.6 | 5.5 | 5.5 |
| Accumulated loss | (385.0) | (529.5) | (573.8) |
| Total stockholders' equity (deficit) | (374.0) | (487.2) | 95.1 |
| Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit) | $ 728.6 | $ 706.8 | $ 706.8 |

See Notes to the Condensed Consolidated Financial Statements

**ROOT, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS - UNAUDITED**
**FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020**

| | 2019 | 2020 |
|---|---|---|
| | (in millions, except per share data) | |
| Net premiums earned | $ 98.6 | $ 233.5 |
| Net investment income | 1.7 | 3.2 |
| Net realized gains (losses) on investments | — | 0.1 |
| Fee income | 3.8 | 8.6 |
| Total revenue | 104.1 | 245.4 |
| Operating expenses: | | |
| Loss and loss adjustment expenses | 109.6 | 227.2 |
| Sales and marketing | 39.2 | 53.2 |
| Other insurance expense | 18.9 | 26.6 |
| Technology and development | 8.4 | 27.3 |
| General and administrative | 22.4 | 42.2 |
| Total operating expenses | 198.5 | 376.5 |
| Interest expense | 2.6 | 13.4 |
| Loss before income tax expense | (97.0) | (144.5) |
| Income tax expense | — | — |
| Net loss | (97.0) | (144.5) |
| Other comprehensive income: | | |
| Changes in unrealized gain on investments | 0.7 | 4.9 |
| Comprehensive loss | $ (96.3) | $ (139.6) |
| Loss per common share: basic and diluted | $ (3.04) | $ (3.74) |
| Weighted-average common shares outstanding: basic and diluted | 31.9 | 38.6 |
| Pro forma net loss per share: basic and diluted | | $ (0.71) |
| Pro forma weighted average common shares outstanding: basic and diluted | | 204.7 |

See Notes to the Condensed Consolidated Financial Statements

**ROOT, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT-UNAUDITED**

**FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020**

| | Redeemable Convertible Preferred Stock | | Common Stock | | Treasury Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Income | Accumulated Loss | Total Stockholders' Deficit |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | |
| | | | | | | | (in millions) | | | |
| Balance—January 1, 2019 | 136.4 | $ 189.6 | 41.5 | $ — | 4.5 | $ (0.1) | $ — | $ — | $ (102.6) | $ (102.7) |
| Comprehensive loss: | | | | | | | | | | |
| Net loss | — | — | — | — | — | — | — | — | (97.0) | (97.0) |
| Changes in other comprehensive income | — | — | — | — | — | — | — | 0.7 | | 0.7 |
| Tender offer | — | — | — | — | — | — | 8.6 | — | — | 8.6 |
| Common stock—option exercises | — | — | 1.7 | — | — | — | 0.6 | — | — | 0.6 |
| Reclassification of early-exercised stock option to liabilities | — | — | — | — | — | — | (0.2) | — | — | (0.2) |
| Common stock—shared-based compensation expense | — | — | — | — | — | — | 0.5 | — | — | 0.5 |
| Balance—June 30, 2019 | 136.4 | $ 189.6 | 43.2 | $ — | 4.5 | $ (0.1) | $ 9.5 | $ 0.7 | $ (199.6) | $ (189.5) |
| | | | | | | | | | | |
| Balance—January 1, 2020 | 158.9 | 560.4 | 44.4 | $ — | 4.5 | $ (0.1) | $ 10.5 | $ 0.6 | $ (385.0) | $ (374.0) |
| Comprehensive loss: | | | | | | | | | | |
| Net loss | — | — | — | — | — | — | — | — | (144.5) | (144.5) |
| Changes in other comprehensive income | — | — | — | — | — | — | — | 4.9 | — | 4.9 |
| Tender offer and subsequent conversion (Note 9) | 2.9 | — | (2.9) | — | — | — | 25.1 | — | — | 25.1 |
| Common stock—option exercises | — | — | 0.5 | — | — | — | 0.3 | — | — | 0.3 |
| Reclassification of early-exercised stock option from liabilities | — | — | (0.2) | — | — | — | 0.1 | — | — | 0.1 |
| Common stock—share-based compensation expense | — | — | — | — | — | — | 1.1 | — | — | 1.1 |
| Settlement of related party loan (Note 10) | — | — | (0.4) | — | 0.1 | (0.7) | 0.5 | — | — | (0.2) |
| Balance—June 30, 2020 | 161.8 | $ 560.4 | 41.4 | $ — | 4.6 | $ (0.8) | $ 37.6 | $ 5.5 | $ (529.5) | $ (487.2) |

See Notes to the Condensed Consolidated Financial Statements

**ROOT, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED**
**FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020**

| | 2019 | 2020 |
|---|---|---|
| | (in millions) | |
| **Cash flows from operating activities:** | | |
| Net loss | $ (97.0) | $ (144.5) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Share-based compensation | 0.5 | 1.1 |
| Tender offer | 8.6 | 25.1 |
| Depreciation and amortization | 1.6 | 7.1 |
| Bad debt expense | 2.0 | 11.2 |
| Warrants fair value adjustment | — | 2.4 |
| Paid-in-kind interest expense | — | 4.5 |
| Realized gains on investments | — | (0.1) |
| Changes in operating assets and liabilities: | | |
| Premiums receivable | (46.9) | (18.6) |
| Reinsurance recoverable | (16.3) | (17.4) |
| Prepaid reinsurance premiums | (14.9) | (23.4) |
| Deferred acquisition costs | (1.1) | — |
| Other assets | (0.3) | (3.7) |
| Losses and loss adjustment expenses reserves | 33.6 | 49.6 |
| Unearned premiums | 54.4 | 10.7 |
| Reinsurance premiums payable | 30.4 | 33.9 |
| Accounts payable and accrued expenses | 6.2 | (0.1) |
| Other liabilities | 1.2 | (0.2) |
| Net cash used in operating activities | (38.0) | (62.4) |
| **Cash flows from investing activities:** | | |
| Purchases of investments | (62.6) | (118.8) |
| Proceeds from maturities, call and pay downs of investments | 22.4 | 17.7 |
| Sales of investments | — | 5.7 |
| Capitalization of internally developed software | (2.7) | (2.4) |
| Purchases of fixed assets | (2.7) | (1.5) |
| Net cash used in investing activities | (45.6) | (99.3) |
| **Cash flows from financing activities:** | | |
| Proceeds from exercise of stock options | 0.3 | 0.3 |
| Purchase of treasury stock | — | (0.2) |
| Proceeds from debt issuance | 100.0 | — |
| Debt issuance costs | (2.6) | (0.1) |
| Repayments of long-term debt | (15.0) | (13.0) |
| Proceeds from SAFE | 10.0 | — |
| Net cash provided by (used in) financing activities | 92.7 | (13.0) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 9.1 | (174.7) |
| Cash, cash equivalents and restricted cash at beginning of year | 122.3 | 416.6 |
| Cash, cash equivalents and restricted cash at end of year | $ 131.4 | $ 241.9 |
| **Supplemental disclosures:** | | |
| Interest paid | $ 1.2 | $ 2.3 |
| Income taxes paid | — | — |
| Leasehold improvements - non-cash | 0.2 | 0.4 |
| Purchase of treasury stock - non-cash | — | 0.5 |

See Notes to the Condensed Consolidated Financial Statements

**ROOT, INC. AND SUBSIDIARIES**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS- UNAUDITED**

## 1. NATURE OF BUSINESS

Root, Inc. is a holding company which, directly or indirectly, maintains 100% ownership of each of its subsidiaries (together with Root, Inc. "We, us or our"). We were formed in 2015 to develop and launch a direct-to-consumer personal automobile insurance and mobile technology company.

We are a direct-to-consumer personal auto insurance, renters insurance and mobile technology company which began writing personal auto insurance in July 2016 entirely through a smartphone mobile application. We market our products primarily through digital and referral program channels. We offer insurance products underwritten by Root Insurance Company, an Ohio domiciled insurance company. As of June 30, 2020, we wrote auto policies in 30 states and were licensed in six additional states and the District of Columbia. As of June 30, 2020, we wrote renters insurance in six states.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Consolidation**—The unaudited condensed consolidated financial statements include the accounts of Root, Inc. and its subsidiaries, all of which are wholly owned. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. All intercompany accounts and transactions have been eliminated.

**Basis of Presentation**—In our opinion, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included. All such adjustments are of a normal and recurring nature. These condensed consolidated financial statements are unaudited and, accordingly, should be read in conjunction with the audited consolidated financial statements and related notes that are included elsewhere in this prospectus.

**Use of Estimates**—The preparation of the condensed consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates reflected in our condensed consolidated financial statements include, but are not limited to, reserves for loss and loss adjustment expense, premium write-offs and valuation allowance for income taxes.

**Unaudited Pro Forma Information**—The accompanying unaudited pro forma condensed consolidated balance sheet as of June 30, 2020 has been prepared assuming (i) the automatic conversion of all outstanding shares of redeemable convertible preferred stock into shares of common stock upon an initial public offering, or IPO, (ii) the settlement of our related party loans executed with several executives for the purchase of common stock that were contractually required to be settled in connection with the filing of a registration statement under the Securities Act (Note 10), (iii) the adjustment to the fair value of certain warrants based on the midpoint of the estimated IPO price range on the cover page of this prospectus and automatic exercise of these warrants outstanding as of June 30, 2020, resulting in the issuance of common stock in connection with the IPO, (iv) share-based compensation expense associated with restricted stock units for which the service period has commenced as of June 30, 2020 and the qualifying event-based vesting condition will be satisfied in connection with the IPO. Both the conversion and settlement transactions were considered to have occurred as if the IPO and settlement had occurred on June 30, 2020.

In the accompanying condensed consolidated statements of operations and comprehensive loss, the unaudited pro forma basic and diluted net loss per share attributable to common stockholders for the year ended June 30, 2020 has been prepared assuming (i) the automatic conversion of all outstanding shares of redeemable convertible preferred stock into shares of common stock upon an IPO, and (ii) the settlement of our related party loans executed with several executives for the purchase of common stock that were contractually required to be settled in connection with the filing of a registration statement under the Securities Act (Note 10). Both the conversion and settlement transactions were considered to have occurred as if the proposed IPO had occurred on the later of January 1, 2020 or the issuance date of the respective redeemable convertible preferred stock or related party loan.

**Deferred Offering Costs**—Deferred offering costs, which primarily consist of legal, accounting, and other third-party fees directly related to our initial public offering (IPO), are capitalized as incurred. Upon consummation of the IPO, these deferred offering costs are offset against the IPO proceeds. In the event the offering is terminated and not resumed within a certain amount of time, the deferred offering costs will be expensed. Deferred offering costs were immaterial as of June 30, 2020.

**Recently Adopted Financial Accounting Standards**—In August 2018, the FASB issued Accounting Standards Update No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. We early adopted ASU 2018-15 on January 1, 2020. The adoption of this standard did not have a material impact on our condensed consolidated financial statements or notes to the condensed consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes.* The amendments in the update simplify the accounting for income taxes by, among other things, removing the exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items like comprehensive income, and recognizing franchise tax that is partially based on income as an income-based tax. We early adopted ASU 2019-12 on January 1, 2020. The adoption of this standard did not have a material impact on our condensed consolidated financial statements or notes to the condensed consolidated financial statements.

**Upcoming Accounting Pronouncements—**We currently qualify as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, whereby we have the option to adopt new or revised accounting guidance within the same time periods as private companies. We have elected this option, but may ultimately determine it is preferable to take advantage of early adoption provisions offered within the applicable guidance.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The main provision of ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The effective date of ASU 2016-02 is for annual reporting periods beginning after December 15, 2021, and interim reporting periods beginning after December 15, 2022. We are currently evaluating the impact of this ASU.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 amends previous guidance on the impairment of financial instruments by adding an impairment model that allows an entity to recognize expected credit losses as an allowance rather than impairing as they are incurred. The new guidance is intended to reduce complexity of credit impairment models and result in a more timely recognition of expected credit losses. The effective date of ASU 2016-13 is for reporting periods beginning after December 15, 2022. We are currently evaluating the impact of this ASU.

## 3. INVESTMENTS

The amortized cost and fair value of short-term investments and available-for-sale fixed maturity securities at December 31, 2019 and June 30, 2020 are as follows:

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| | (dollars in millions) | | | |
| Bonds and short-term investments: | | | | |
| U.S. Treasury securities and agencies | $ 12.7 | $ 0.1 | $ — | $ 12.8 |
| Municipal securities | 10.2 | 0.1 | — | 10.3 |
| Corporate debt securities | 38.8 | 0.4 | (0.1) | 39.1 |
| Residential mortgage-backed securities | 3.3 | — | — | 3.3 |
| Commercial mortgage backed securities | 31.5 | 0.1 | (0.1) | 31.5 |
| Other debt obligations | 25.7 | 0.1 | — | 25.8 |
| Total | $ 122.2 | $ 0.8 | $ (0.2) | $ 122.8 |

| | June 30, 2020 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| | (dollars in millions) | | | |
| Bonds and short-term investments: | | | | |
| U.S. Treasury securities and agencies | $ 9.9 | $ 0.2 | $ — | $ 10.1 |
| Municipal securities | 14.3 | 0.7 | — | 15.0 |
| Corporate debt securities | 92.1 | 3.0 | — | 95.1 |
| Residential mortgage-backed securities | 10.2 | 0.1 | — | 10.3 |
| Commercial mortgage backed securities | 57.0 | 1.1 | (0.1) | 58.0 |
| Other debt obligations | 33.4 | 0.5 | — | 33.9 |
| Total | $ 216.9 | $ 5.6 | $ (0.1) | $ 222.4 |

The following tables reflect the gross unrealized losses, fair value on bonds, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2019 and June 30, 2020:

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| | (dollars in millions) | | | | | |
| Bonds: | | | | | | |
| Municipal securities | $ 5.5 | $ — | $ — | $ — | $ 5.5 | $ — |
| Corporate debt securities | 12.8 | (0.1) | — | — | 12.8 | (0.1) |
| Residential mortgage-backed securities | 1.9 | — | — | — | 1.9 | — |
| Commercial mortgage-backed securities | 24.5 | (0.1) | — | — | 24.5 | (0.1) |
| Other debt obligations | 7.4 | — | — | — | 7.4 | — |
| Total bonds | $ 52.1 | $ (0.2) | $ — | $ — | $ 52.1 | $ (0.2) |

| | June 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| | (dollars in millions) | | | | | |
| Bonds: | | | | | | |
| Municipal securities | $ 0.4 | $ — | $ — | $ — | $ 0.4 | $ — |
| Corporate debt securities | 2.4 | — | — | — | 2.4 | — |
| Residential mortgage-backed securities | 5.8 | — | — | — | 5.8 | — |
| Commercial mortgage-backed securities | 5.5 | (0.1) | — | — | 5.5 | (0.1) |
| Other debt obligations | 0.4 | — | — | — | 0.4 | — |
| Total bonds | $ 14.5 | $ (0.1) | $ — | $ — | $ 14.5 | $ (0.1) |

We may ultimately record a realized loss after having originally concluded that the decline in value was temporary. There were no other-than-temporary impairments recognized in the six months ended June 30, 2019 or 2020, respectively. Risks and uncertainties are inherent in the assessment methodology used to assess other-than-temporary declines in fair value. Risks and uncertainties could include, but are not limited to, the opinion of professional investment managers could prove to be incorrect, the past trading patterns of individual securities may not reflect future valuation trends and the credit ratings assigned by independent credit rating agencies may prove to be incorrect due to unforeseen or unknown facts related to a company's financial situation.

The amortized cost and fair value of short-term investments and fixed maturity securities by contractual maturity at December 31, 2019 and June 30, 2020 are as follows:

| | December 31, 2019 | | June 30, 2020 | |
|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| | (dollars in millions) | | | |
| Due in one year or less | $ 14.3 | $ 14.3 | $ 17.7 | $ 17.8 |
| Due after one year through five years | 81.6 | 82.1 | 149.1 | 153.8 |
| Due five years through 10 years | 4.9 | 4.9 | 11.7 | 12.1 |
| Due after 10 years | 21.4 | 21.5 | 38.4 | 38.7 |
| Total | $ 122.2 | $ 122.8 | $ 216.9 | $ 222.4 |

Net realized gains on short-term investments and fixed maturity securities were zero and $0.1 million for the six months ended June 30, 2019 and 2020, respectively.

The following table sets forth the components of net investment income for the periods ended June 30, 2019 and 2020:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (dollars in millions) | |
| Interest on bonds | $ 1.8 | $ 2.1 |
| Interest on deposits and cash equivalents | — | 1.3 |
| Total | 1.8 | 3.4 |
| Investment expense | (0.1) | (0.2) |
| Net investment income | $ 1.7 | $ 3.2 |

The following tables summarize the credit ratings of investments at December 31, 2019 and June 30, 2020:

| | December 31, 2019 | | |
|---|---|---|---|
| S&P Global rating or equivalent | Amortized Cost | Fair Value | % of Total Fair Value |
| | (dollars in millions) | | |
| AAA | $ 78.8 | $ 79.0 | 64.3 % |
| AA+, AA, AA-, A-1 | 8.7 | 8.8 | 7.2 |
| A+, A, A- | 26.6 | 26.9 | 21.9 |
| BBB+, BBB, BBB- | 8.1 | 8.1 | 6.6 |
| Total | $ 122.2 | $ 122.8 | 100.0 % |

| | June 30, 2020 | | |
|---|---|---|---|
| S&P Global rating or equivalent | Amortized Cost | Fair Value | % of Total Fair Value |
| | (dollars in millions) | | |
| AAA | $ 116.2 | $ 118.3 | 53.2 % |
| AA+, AA, AA-, A-1 | 16.4 | 17.1 | 7.7 |
| A+, A, A- | 59.9 | 61.8 | 27.8 |
| BBB+, BBB, BBB- | 24.4 | 25.2 | 11.3 |
| Total | $ 216.9 | $ 222.4 | 100.0 % |

## 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables provide information about our financial assets and liabilities measured and reported at fair value:

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| | (dollars in millions) | | | |
| **Assets** | | | | |
| Fixed maturities | $ 9.8 | $ 109.5 | $ — | $ 119.3 |
| Short-term investments | 3.0 | 0.5 | — | 3.5 |
| Cash equivalents | 316.6 | — | — | 316.6 |
| **Total Assets at fair value** | $ 329.4 | $ 110.0 | $ — | $ 439.4 |
| **Liabilities** | | | | |
| Warrant liability | $ — | $ — | $ 20.3 | $ 20.3 |
| **Total Liabilities at fair value** | $ — | $ — | $ 20.3 | $ 20.3 |

| | June 30, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| | (dollars in millions) | | | |
| **Assets** | | | | |
| Fixed maturities | $ 3.0 | $ 212.2 | $ — | $ 215.2 |
| Short-term investments | 7.0 | 0.2 | — | 7.2 |
| Cash equivalents | 185.5 | — | — | 185.5 |
| **Total Assets at fair value** | $ 195.5 | $ 212.4 | $ — | $ 407.9 |
| **Liabilities** | | | | |
| Warrant liability | $ — | $ — | $ 22.7 | $ 22.7 |
| **Total Liabilities at fair value** | $ — | $ — | $ 22.7 | $ 22.7 |

We estimate the fair value of all our different classes of Level 2 fixed maturities and short-term investments by using a combination of an independent pricing vendor or broker/dealer, pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

We have financial liabilities categorized as level 3 in the table above for warrants issued and outstanding. To calculate the fair value we utilized the BSM approach. The significant inputs in calculating the fair value of the warrants were the current price from the most recently completed Internal Revenue Code 409a valuation, or 409a, the current risk-free rate used by the United States Treasury, the expected term and the volatility assumption. The BSM calculation yielded a fair value of $8.09 per share for each of the 2.8 million warrants. During the six months ended June 30, 2020, we recognized a $2.4 million adjustment to the fair value of the warrants within interest expense of our condensed consolidated statements of operations and comprehensive loss.

The carrying amount of long-term debt is recorded at historical amounts. The fair value of outstanding long-term debt is classified within Level 2 of the fair value hierarchy. The fair value is based on a model referencing observable interest rates and spreads to project and discount cash flows to present value. For the periods ended December 31, 2019 and June 30, 2020 the carrying amounts and fair values of these financial instruments were as follows:

| | Carrying amount as of December 31, 2019 | Estimated Fair Value as of December 31, 2019 | Carrying amount as of June 30, 2020 | Estimated Fair Value as of June 30, 2020 |
|---|---|---|---|---|
| | (dollars in millions) | | | |
| Long-term debt | $ 172.7 | $ 200.8 | $ 168.2 | $ 192.0 |

The carrying amounts of other short-term financial instruments approximates their fair value due to their short-term nature.

## 5. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The following provides a reconciliation of the beginning and ending reserve balances for loss and LAE, net of reinsurance:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (dollars in millions) | |
| Gross loss and LAE reserves, January 1 | $ 33.3 | $ 140.7 |
| Reinsurance recoverable on unpaid losses | (11.4) | (18.9) |
| Net loss and LAE reserves, January 1 | 21.9 | 121.8 |
| Net incurred loss and LAE related to: | | |
| Current year | 102.6 | 213.7 |
| Prior years | 3.6 | 13.0 |
| Total incurred | 106.2 | 226.7 |
| Net paid loss and LAE related to: | | |
| Current year | 59.9 | 105.9 |
| Prior years | 19.7 | 83.5 |
| Total paid | 79.6 | 189.4 |
| Net loss and LAE reserves, June 30 | 48.5 | 159.1 |
| Plus reinsurance recoverable on unpaid losses | 18.4 | 31.2 |
| Gross loss and LAE reserves, June 30 | $ 66.9 | $ 190.3 |

Incurred losses and LAE attributable to prior accident years was an increase of $3.6 million and $13.0 million for the six months ended June 30, 2019 and 2020, respectively. For the six months ended June 30, 2020, the development of incurred losses related to prior periods was primarily related to higher-than-expected reported losses on bodily injury, uninsured and under-insured bodily injury, property damage and collision coverages.

## 6. LONG-TERM DEBT

The following summarizes the carrying value of long-term debt and warrants as of December 31, 2019 and June 30, 2020:

| | December 31, 2019 | June 30, 2020 |
|---|---|---|
| | (dollars in millions) | |
| Term Loan A | $ 99.5 | $ 86.5 |
| Term Loan B | 100.0 | 100.0 |
| Warrants | 20.3 | 22.7 |
| Total | 219.8 | 209.2 |
| | | |
| Accrued interest payable | 0.9 | 5.4 |
| Unamortized discount and debt issuance costs | (28.5) | (24.5) |
| Total | $ 192.2 | $ 190.1 |

In connection with the amended and restated Term Loan A on November 25, 2019, Silicon Valley Bank exited the Term Loan A syndication and their $24.9 million of outstanding debt was reallocated to two of the existing holders of Term Loan A on a pro rata basis. This required us to escrow $24.9 million of cash for a potential pay down of the corresponding debt. The cash in escrow is reflected as restricted cash on the consolidated balance sheets as of December 31, 2019. In February 2020, we amended Term Loan A to add a new financial institution (Goldman Sachs Lending Partners LLC) to the syndicate in the amount of $12.5 million. Accordingly, $12.4 million of the $24.9 million escrowed funds was remitted to us and the other $12.5 million was remitted to the two aforementioned existing holders to pay down the pro rata portion of the reallocated Term Loan A.

We pay interest pursuant to the terms of the obligations and have the option to pay interest in-kind, or PIK, on Term Loan B for up to 3 years, or the PIK Period, from the date of closing in November 2019. PIK interest will be added to the principal balance every 3 months until the end of the PIK Period, and interest will subsequently be paid quarterly. We have elected to PIK interest on Term Loan B from the date of closing through June 30, 2020. Deferred PIK interest was $5.3 million as of June 30, 2020.

## 7. INCOME TAXES

The consolidated effective tax rate was 0.0% for the six months ended June 30, 2019 and 2020, respectively. The difference between these rates and the U.S. federal income tax rate of 21% was primarily due to a full valuation allowance on our U.S. deferred tax assets.

As of June 30, 2020, we did not have any unrecognized tax benefits for uncertain tax positions and had no interest or penalties related to uncertain tax positions.

## 8. CAPITAL STOCK

As of December 31, 2019 and June 30, 2020, our certificate of incorporation, as amended and restated, authorizing 40.5 million of Series A preferred voting stock, 41.8 million Series B preferred voting stock, 35.4 million Series C voting preferred shares, 19.6 million of Series D preferred voting stock and 30.1 million and 32.7 million of Series E preferred voting stock, respectively. All classes of stock have a par value of $.0001 per share. The redeemable convertible preferred stock is recorded in mezzanine equity because while it is not mandatorily redeemable, it will become redeemable at the option of the preferred stockholders upon the occurrence of a deemed liquidation event that is considered not solely within our control.

As of December 31, 2019 and June 30, 2020, our certificate of incorporation, as amended and restated, authorizing 266.0 million and 269.0 million common shares of voting stock shares of par value $0.0001 per share common stock, respectively. The voting, dividend, and liquidation rights of the holders of the common stock are subject to and qualified by the rights, powers, and preferences of the holders of the preferred stock.

In March 2020, subsequent to the tender offer discussed in Note 9, we converted 2.9 million of common shares purchased by the investor into shares of Series E preferred shares.

The following table displays our capital stock as of December 31, 2019 and June 30, 2020:

| | December 31, 2019 | | | June 30, 2020 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares Authorized | Shares Issued and Outstanding | Carrying Value | Shares Authorized | Shares Issued and Outstanding | Carrying Value | Common Stock Issuable Upon Conversion | Conversion Price Per Share | Redeemable on or After |
| | (in millions, except per share amounts) | | | | | | | | |
| Common Stock-Voting[1] | 266.0 | 44.4 | $ — | 269.0 | 41.4 | $ — | — | | |
| **Preferred Stock[1]** | | | | | | | | | |
| Preferred-Series A Redeemable Convertible[2] | 40.5 | 40.0 | 5.1 | 40.5 | 40.0 | $ 5.1 | 40.0 | $0.03 - $0.29 | September 6, 2026 |
| Preferred-Series B Redeemable Convertible | 41.8 | 41.7 | 33.7 | 41.8 | 41.7 | 33.7 | 41.7 | 0.81 | September 6, 2026 |
| Preferred-Series C Redeemable Convertible - Voting | 35.4 | 35.4 | 50.9 | 35.4 | 35.4 | 50.9 | 35.4 | 1.44 | September 6, 2026 |
| Preferred-Series D Redeemable Convertible | 19.6 | 19.3 | 99.9 | 19.6 | 19.3 | 99.9 | 19.3 | 5.17 | September 6, 2026 |
| Preferred-Series E Redeemable Convertible[3] | 30.1 | 22.5 | 370.8 | 32.7 | 25.4 | 370.8 | 25.4 | 7.78 - 16.49 | September 6, 2026 |
| Total Preferred Stock | 167.4 | 158.9 | $ 560.4 | 170.0 | $ 161.8 | $ 560.4 | $ 161.8 | | |

(1) All classes of stock have a par value of $0.0001 per share
(2) Shares issued for Series A-1 had a conversion price of $0.03. Shares issued for Series A-2 had a conversion price of $0.11. Shares issued for Series A-3 had a conversion price of $0.29. Collectively these shares are referred to as Series A.
(3) Shares issued for Series E had a conversion price of $16.49. Shares issued for Series E-1 had a conversion price of $7.78. Collectively these shares are referred to as Series E.

| | December 31, 2019 | | | | June 30, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Shares Authorized | Shares Issued and Outstanding | Carrying Value | Redemption Value | Shares Authorized | Shares Issued and Outstanding | Carrying Value | Redemption Value |
| | (in millions, except per share amounts) | | | | | | | |
| **Preferred Stock[1]** | | | | | | | | |
| Preferred-Series A Redeemable Convertible | 40.5 | 40.0 | $ 5.1 | $ 5.0 | 40.5 | 40.0 | $ 5.1 | $ 5.0 |
| Preferred-Series B Redeemable Convertible | 41.8 | 41.7 | 33.7 | 33.8 | 41.8 | 41.7 | 33.7 | 33.8 |
| Preferred-Series C Redeemable Convertible - Voting | 35.4 | 35.4 | 50.9 | 51.0 | 35.4 | 35.4 | 50.9 | 51.0 |
| Preferred-Series D Redeemable Convertible | 19.6 | 19.3 | 99.9 | 100.0 | 19.6 | 19.3 | 99.9 | 100.0 |
| Preferred-Series E Redeemable Convertible | 30.1 | 22.5 | 370.8 | 360.0 | 32.7 | 25.4 | 370.8 | 407.7 |
| Total Preferred Stock | 167.4 | 158.9 | $ 560.4 | $ 549.8 | 170.0 | 161.8 | $ 560.4 | 597.5 |

(1) All classes of stock have a par value of $0.0001 per share

## 9. SHARE-BASED COMPENSATION

We maintain an equity incentive plan, the 2015 Equity Incentive Plan, or the Plan, for the issuance and grant of equity awards (restricted stock, and incentive and nonqualified stock options) to its officers, directors, employees and certain advisors. As of June 30, 2020, the number of shares authorized under the Plan was 45.4 million authorized common shares.

A summary of option activity for the six months ended June 30, 2020 is as follows:

| | June 30, 2020 | | | |
|---|---|---|---|---|
| Options | Number of Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (in Years) | Aggregate Intrinsic Value |
| | (in millions, except exercise price and term amounts) | | | |
| Outstanding at January 1, 2020 | 12.3 | $ 1.42 | 8.22 | 70.4 |
| Granted | 0.8 | 7.25 | | |
| Exercised | (0.5) | 0.61 | | |
| Forfeited, expired or canceled | (0.5) | 5.64 | | |
| Outstanding and exercisable at June 30, 2020 | 12.1 | 1.68 | 8.67 | 66.0 |

For the six months ended June 30, 2019 and 2020, $9.1 million and $26.2 million of share-based compensation was recorded within the condensed consolidated statements of operations and comprehensive loss, respectively. In March 2020, a current investor completed a tender offer for common stock from vested shareholders, many of whom are current employees or members of the Board of Directors. To encourage participation, the tender offer was made at a price in excess of the fair value of our common stock. As a result, we recognized $25.1 million of share-based compensation expense. As of June 30, 2020, there was $6.6 million of total unrecognized compensation cost related to share-based compensation. The remaining cost is expected to be recognized over a period of six years.

The following table displays share-based compensation expense recorded in the condensed consolidated statements of operations and comprehensive loss:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (dollars in millions) | |
| Share-based compensation expense: | | |
| Loss and loss adjustment expenses | $ — | $ 0.5 |
| Sales and marketing | — | 1.0 |
| Other insurance expense | — | 0.9 |
| Technology and development | — | 5.3 |
| General and administrative | 9.1 | 18.5 |
| Total share-based compensation expense | $ 9.1 | $ 26.2 |

The Plan permits the optionee to early exercise to obtain preferred tax treatment before the completion of the award's requisite service or vesting period. If the employee terminates employment before the end of this period, the Plan requires us to repurchase the shares at the exercise price of the award. The repurchase feature is used to require the employee to remain through the requisite service or vesting period to receive the full economic benefit of the award.

Given the repurchase feature functions as a forfeiture provision for nonvested shares, we record the exercise cost of nonvested shares as a deposit liability for those shares settling in cash. As the shares vest, the deposit liability is reduced and Paid-In Capital is increased. As of December 31, 2019 and June 30, 2020, the early exercise deposit liability was $1.5 million and $1.4 million, respectively, and is included in other liabilities on the condensed consolidated balance sheets.

## 10. RELATED PARTY LOANS

As of December 31, 2019 and June 30, 2020, there were related party loans outstanding of $4.3 million with a weighted-average interest rate of 2.80% and $3.4 million with a weighted-average interest rate of 2.87%, respectively.

In May 2020, we settled a related party loan by accepting 0.3 million unvested shares and 0.1 million vested shares in exchange for the full repayment of the related $0.9 million related party loan and accrued interest. We recognized $0.7 million of Treasury Stock as a result.

In October 2020, our Board of Directors approved the forgiveness of all outstanding principal and accrued but unpaid interest for each of the remaining executive promissory notes. As the exercise price has effectively been reduced to zero, the forgiveness was accounted for as a modification of the stock options. An incremental share-based compensation cost of $3.4 million was determined based on the difference in the fair value of the options immediately prior to the modification and the modified fair value. Based on 0.5 million shares having vested as of the date of forgiveness, we recognized $0.3 million of share-based compensation expense in October 2020. The remaining $3.1 million share-based compensation expense will be recognized ratably over the remaining vesting period of 6 years.

## 11. COMMITMENTS AND CONTINGENCIES

We lease our office facilities under various non-cancelable operating lease agreements with various expiration dates through February 2028. Some of these leases provide for payment by the lessee of property taxes, insurance premiums, cost of maintenance and other costs.

During the normal course of business, we also enter into various agreements to purchase services, primarily data and information technology based services, that are enforceable and legally binding. Certain supply contracts contain penalty provisions for early termination, in addition to variable costs that are based on volume and usage. We do not expect to incur penalty payments under these provisions that would materially affect our financial position, results of operations or cash flows.

The following table summarizes by remaining maturity, future commitments related to operating leases and other arrangements as of June 30, 2020:

| | Operating Leases | Purchase Obligations |
|---|---|---|
| | (dollars in millions) | |
| 2020 (remaining six months) | $ 1.8 | $ 1.7 |
| 2021 | 4.0 | 2.9 |
| 2022 | 4.4 | 0.9 |
| 2023 | 4.4 | 0.3 |
| 2024 | 4.3 | — |
| 2025 and thereafter | 4.4 | — |
| Total | $ 23.3 | $ 5.8 |

Base rent and related rent expenses was $0.7 million and $2.4 million for the six months ended June 30, 2019 and 2020, respectively.

There are no litigation matters outstanding or pending that will have a material effect on our financial position or results of operations.

We are contingently liable for possible future assessments under regulatory requirements for insolvencies and impairments of unaffiliated insurance companies.

## 12. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents the changes in our accumulated other comprehensive income, or AOCI, for the periods ended June 30, 2019 and June 30, 2020:

| | Change in net unrealized gains on investment |
|---|---|
| | (dollars in millions) |
| **Balance, January 1, 2019** | $ — |
| Other comprehensive income before reclassifications | 0.7 |
| Amounts reclassified from AOCI to net income | — |
| Net current period other comprehensive income | 0.7 |
| **Ending balance, June 30, 2019** | $ 0.7 |
| | |
| **Balance, January 1, 2020** | $ 0.6 |
| Other comprehensive income before reclassifications | 5.0 |
| Realized gains on investments reclassified from AOCI to net income | (0.1) |
| Net current period other comprehensive income | 4.9 |
| **Ending balance, June 30, 2020** | $ 5.5 |

## 13. LOSS PER SHARE

EPS is presented for both basic EPS and diluted EPS. We compute basic EPS by dividing net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. In addition to common shares outstanding, the computation of basic EPS includes instruments for which the holder has (or is deemed to have) the present rights as of the end of the reporting period to share in current period earnings (loss) with common stockholders (i.e., participating securities and common shares that are currently issuable for little or no cost to the holder). We also include in the denominator of our basic EPS computation the weighted-average number of shares of common stock that would be issued upon the full exercise of the warrants. These warrants have an insignificant exercise price of $0.0001 per share and are therefore considered outstanding common shares for computation of basic EPS.

Diluted EPS includes all the components of basic EPS, plus the dilutive effect of common stock equivalents such as convertible securities and stock options, but excludes those common stock equivalents from the calculation of diluted EPS when the effect of inclusion, assessed individually, would be anti-dilutive. The calculation of income available to common stockholders and EPS is based on the underlying premise that all income after payment of dividends on preferred shares is available to and will be distributed to the common stockholders.

The following table displays the computation of basic and diluted loss per share of common stock:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (in millions, except per share amounts) | |
| Net loss | $ (97.0) | $ (144.5) |
| Weighted-average common shares outstanding: basic and diluted | 31.9 | 38.6 |
| Loss per common share: basic and diluted | $ (3.04) | $ (3.74) |

We excluded the following potential common shares, presented based on amounts outstanding at each year end, from the computation of diluted net loss per share attributable to common stockholders for the years indicated because including them would have had an anti-dilutive effect:

| | As of June 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (in millions) | |
| Options to purchase common stock | 11.1 | 12.1 |
| Redeemable convertible preferred stock (as converted to common stock) | 136.4 | 161.8 |
| Warrants to purchase redeemable convertible preferred stock (as converted to common stock) | 0.6 | 0.6 |
| | 148.1 | 174.5 |

The unaudited pro forma basic and diluted net loss per share attributable to common stockholders has been prepared to give effect to adjustments arising upon the completion of the proposed IPO. The unaudited pro forma net loss attributable to common stockholders used in the calculation of unaudited pro forma basic and diluted net loss per share attributable to common stockholders gives effect, upon the proposed IPO, to (i) the conversion of shares of preferred stock into shares of common stock as if the proposed IPO had occurred on the later of January 1, 2020 or the issuance date of the preferred stock, and (ii) the settlement of our related party loans as if it had occurred on January 1, 2020.

Unaudited pro forma basic and diluted net loss per share attributable to common stockholders was calculated as follows:

| | June 30, 2020 |
|---|---|
| | (in millions, except per share amounts) |
| Pro forma net loss | $ (144.5) |
| Weighted-average common shares outstanding: basic and diluted | 38.6 |
| Pro forma adjustment to reflect automatic conversion of redeemable convertible preferred stock into common stock upon the closing of the proposed IPO | 160.7 |
| Pro forma adjustment to reflect common shares outstanding upon Settlement of Executive Promissory Notes | 5.4 |
| Pro forma weighted-average common shares outstanding — basic and diluted | 204.7 |
| Pro forma net loss per share: basic and diluted | $ (0.71) |

## 14. GEOGRAPHICAL BREAKDOWN OF DIRECT WRITTEN PREMIUM

Direct written premium ("DWP") by state is as follows ($ in millions):

| | Six Months Ended June 30 | | | |
|---|---|---|---|---|
| | 2019 | | 2020 | |
| | Amount | % of DWP | Amount | % of DWP |
| **State** | (dollars in millions) | | | |
| Texas | $ 44.4 | 23.6 % | $ 65.2 | 21.3 % |
| Georgia | 11.6 | 6.2 | 37.6 | 12.3 |
| Kentucky | 22.6 | 12.0 | 19.9 | 6.5 |
| Pennsylvania | 10.1 | 5.4 | 15.2 | 4.9 |
| Arizona | 11.3 | 6.0 | 15.0 | 4.9 |
| Missouri | 9.5 | 5.1 | 13.5 | 4.4 |
| Louisiana | 5.4 | 2.9 | 12.6 | 4.1 |
| Utah | 7.4 | 3.9 | 12.2 | 4.0 |
| Ohio | 10.8 | 5.7 | 11.0 | 3.6 |
| Oregon | 4.7 | 2.5 | 9.8 | 3.2 |
| All others states | 50.1 | 26.7 | 94.5 | 30.8 |
| **Total** | $ 187.9 | 100.0 % | $ 306.5 | 100.0 % |

## 15. SUBSEQUENT EVENTS

In December 2019, COVID-19 was first reported in Wuhan, China and in March 2020, the World Health Organization declared a global pandemic. The global pandemic has severely impacted businesses worldwide, including within the insurance industry. We have been impacted by certain individual state bulletins that outline COVID-19 premium relief efforts, including restrictions on the ability to cancel policies for non-payment, requiring deferral of insurance premium payments for up to 60 days and restrictions on increasing policy premiums. COVID-19 has impacted and may further impact the broader economic environment, including negatively impacting unemployment levels, economic growth, the proper functioning of financial and capital markets and interest rates. As the COVID-19 pandemic continues to develop, there is uncertainty around the severity and duration of the pandemic and the pandemic's potential change on our business and our financial performance.

In April 2020, we entered into a Stock Purchase Agreement to purchase a shell insurance company, subject to regulatory approvals. We plan to close the acquisition later in 2020. This acquisition will expand our ability to sell personal auto insurance in 48 states and the District of Columbia.

In September 2020, we amended Term Loan A to add financial institutions (Barclays, Deutsche Bank, Morgan Stanley and Wells Fargo) to the syndication, upsize the outstanding facility by $13.5 million, and extend its maturity to October 15, 2021. We also opened a $100 million revolving line of credit with members of the Term Loan A syndication.

In September 2020, Root, Inc., a subsidiary of Root Stockholdings, Inc., changed its name to Caret Holdings, Inc. In addition the parent company Root Stockholdings, Inc. changed its name to Root, Inc. We reflected the name change throughout the consolidated and condensed consolidated financial statements and schedules.

Subsequent events have been evaluated through September 17, for the items above, and October 5 and October 20, 2020, for the items below, which are the dates the financial statements were available to be issued.

In October 2020, our Board of Directors approved the forgiveness of all outstanding principal and accrued but unpaid interest for each of the remaining executive promissory notes. Refer to Note 10 for further discussion.

In October 2020, our Board of Directors authorized additional shares bringing the total authorized shares to 1,000.0 million of Class A Common Stock, 269.0 million shares of Class B Common Stock and 100.0 million shares

of Preferred Stock. All classes of stock have a par value of $0.0001 per share. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting, conversion and transfer rights. Each share of Class A common stock is entitled to one vote. Each share of Class B common stock is entitled to ten votes and is convertible at any time into one share of Class A common stock.

In October 2020, our Board of Directors, in connection with the IPO, entered into Common Stock Purchase Agreements totaling $500 million of shares of Class A Common Stock to be sold in concurrent private placements.

# 24,164,515 Shares

# Root, Inc.

## Class A Common Stock


| | | | | | |
|---|---|---|---|---|---|
| **Goldman Sachs & Co. LLC** | | **Morgan Stanley** | **Barclays** | | **Wells Fargo Securities** |
| **Deutsche Bank Securities** | **Truist Securities** | **Citigroup** | **Credit Suisse** | **Evercore ISI** | **UBS Investment Bank** |
| **Cantor** | **JMP Securities** | | **Siebert Williams Shank** | | **Huntington Capital Markets** |

**Through and including , 2020 (the 25th day after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.**

## Part II

## INFORMATION NOT REQUIRED IN PROSPECTUS

### Item 13. Other Expenses of Issuance and Distribution.

The following table indicates the expenses to be incurred in connection with the offering described in this registration statement, other than underwriting discounts and commissions, all of which will be paid by us. All amounts are estimated except the SEC registration fee, the Financial Industry Regulatory Authority, Inc., or FINRA, filing fee and the exchange listing fee.

| | Amount |
|---|---|
| SEC registration fee | $ 75,796 |
| FINRA filing fee | 104,709 |
| Exchange listing fee | 150,000 |
| Accountants' fees and expenses | 1,500,000 |
| Legal fees and expenses | 1,800,000 |
| Transfer Agent's fees and expenses | 15,000 |
| Printing and engraving expenses | 225,000 |
| Miscellaneous | 129,495 |
| Total expenses | $ 4,000,000 |

### Item 14. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities, including reimbursement for expenses incurred, arising under the Securities Act. Our amended and restated certificate of incorporation that will be in effect on the completion of this offering permits indemnification of our directors, officers, employees and other agents to the maximum extent permitted by the Delaware General Corporation Law, and our amended and restated bylaws that will be in effect on the completion of this offering provide that we will indemnify our directors and officers and permit us to indemnify our employees and other agents, in each case to the maximum extent permitted by the Delaware General Corporation Law.

We have entered into indemnification agreements with our directors and officers, whereby we have agreed to indemnify our directors and officers to the fullest extent permitted by law, including indemnification against expenses and liabilities incurred in legal proceedings to which the director or officer was, or is threatened to be made, a party by reason of the fact that such director or officer is or was a director, officer, employee or agent of Root, Inc., provided that such director or officer acted in good faith and in a manner that the director or officer reasonably believed to be in, or not opposed to, the best interest of Root, Inc. At present, there is no pending litigation or proceeding involving a director or officer of Root, Inc. regarding which indemnification is sought, nor is the registrant aware of any threatened litigation that may result in claims for indemnification.

We maintain insurance policies that indemnify our directors and officers against various liabilities arising under the Securities Act and the Exchange Act that might be incurred by any director or officer in his or her capacity as such.

**Item 15. Recent Sales of Unregistered Securities.**

Since January 1, 2017 we have issued the following unregistered securities (after giving effect to a 10-for-1 stock split effected in June 2018):

**Preferred Stock**

(1) In June 2017, we sold an aggregate of 11,708,020 shares of our Series B convertible preferred stock to a total of four accredited investors at a purchase price of $0.81141 per share for an aggregate purchase price of $9,500,005.

(2) In June 2017, we issued an aggregate of 19,975,710 shares of our Series B convertible preferred stock to a total of three accredited investors upon the conversion of promissory notes and common stock.

(3) In March 2018, we sold an aggregate of 32,265,400 shares of our Series C-1 convertible preferred stock and 3,100,630 shares of our Series C-2 convertible preferred stock to a total of eight accredited investors at a purchase price of $1.44206 per share for an aggregate purchase price of $50,999,937.

(4) In November 2018, we sold an aggregate of 19,339,702 shares of our Series D convertible preferred stock to a total of seven accredited investors at a purchase price of $5.17071 per share for an aggregate purchase price of $99,999,991.

(5) In September 2019, we sold an aggregate of 21,224,214 shares of our Series E convertible preferred stock at a purchase price of $16.4906 per share to a total of fourteen accredited investors for an aggregate purchase price of $350,000,023, and issued 1,284,653 shares of our Series E-1 convertible preferred stock to one accredited investor upon conversion of a simple agreement for future equity, or SAFE, in the aggregate amount of $10,000,000.

(6) In January 2020, we issued an aggregate of 2,892,675 shares of our Series E convertible preferred stock in exchange for common stock held by an existing security holder in reliance on the exemption from registration afforded by Section 3(a)(9) of the Securities Act, as the securities were exchanged by us with our existing security holder exclusively where no commission or other remuneration was paid or given directly or indirectly for soliciting such exchange.

**Simple Agreement for Future Equity**

(7) In June 2019, we sold one SAFE for an aggregate purchase price of $10,000,000 to one accredited investor, which SAFE was converted into 1,284,653 shares of our Series E-1 convertible preferred stock in September 2019.

**Notes**

(8) In March 2017, we issued convertible promissory notes in the aggregate principal amount of $10,000,000 to one accredited investor. In June 2017, the full amount under the notes was converted into shares of our Series B convertible preferred stock.

(9) In November 2019, we issued a $100,000,000 floating rate senior secured note due 2024 to a lender in connection with our entry into a loan and security agreement.

**Warrants**

(10) In July 2016, we issued a warrant to purchase 500,000 shares of our Series A-3 Preferred Stock at an exercise price of $0.29 per share.

(11) In December 2017, we issued a warrant to purchase 97,960 shares of our Series B Preferred Stock at an exercise price of $0.81 per share.

(12) In November 2019, we issued a warrant to purchase 2,801,300 shares of our Class B common stock at an exercise price of $0.0001 per share. In September 2020, the warrant was amended to provide for the purchase of up to 2,778,608 shares of our Class B common stock.

**Plan-Related Issuances**

(13) From January 1, 2017 through the date of this registration statement, we granted to certain directors, officers, employees, consultants and other service providers options to purchase an aggregate of 24,032,594 shares of our Class B common stock under our 2015 Plan at exercise prices ranging from $0.036 to $12.87 per share.

(14) From January 1, 2017 through the date of this registration statement, we granted to certain directors, officers, employees, consultants and other service providers an aggregate of 160,051 RSUs to be settled in shares of our Class B common stock under our 2015 Plan.

(15) From January 1, 2017 through the date of this registration statement, we issued and sold an aggregate of 15,151,704 shares of our Class B common stock upon the exercise of options under our 2015 Plan, at exercise prices ranging from $0.019 to $8.09 per share.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. Unless otherwise stated, the sales of the above securities were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act (and Regulation D or Regulation S promulgated thereunder) or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed on the share certificates issued in these transactions. All recipients had adequate access, through their relationships with us, to information about us. The sales of these securities were made without any general solicitation or advertising.

**Item 16. Exhibits and Financial Statement Schedules.**

(a) Exhibits.

| Exhibit Number | Description of Exhibit |
|---|---|
| 1.1 | Form of Underwriting Agreement. |
| 3.1+ | Amended and Restated Certificate of Incorporation of the Registrant, as amended, as currently in effect. |
| 3.2+ | Amended and Restated Bylaws of the Registrant, as currently in effect. |
| 3.3 | Form of Amended and Restated Certificate of Incorporation of the Registrant, to be effective on the completion of this offering. |
| 3.4 | Form of Amended and Restated Bylaws of the Registrant, to be effective on the completion of this offering. |
| 4.1 | Form of Class A common stock certificate of the Registrant. |
| 4.2+ | Fifth Amended and Restated Investors' Rights Agreement by and among the Registrant and certain of its stockholders, dated November 25, 2019. |
| 4.3+ | Warrant to Purchase Stock by and between the Registrant and Silicon Valley Bank, dated July 7, 2016. |
| 4.4 | Warrant to Purchase Stock by and between the Registrant and Silicon Valley Bank, dated December 20, 2017, as amended. |
| 4.5+ | Form of Floating Rate Senior Secured Note Due 2024. |
| 5.1 | Opinion of Cooley LLP. |
| 10.1+ | Amended and Restated 2015 Equity Incentive Plan. |
| 10.2+ | Form of Notice of Stock Option Grant and Stock Option Agreement under the Amended and Restated 2015 Equity Incentive Plan. |
| 10.3+ | Form of Notice of Stock Option Exercise and Stock Option Exercise Agreement under the Amended and Restated 2015 Equity Incentive Plan. |
| 10.4+ | Form of RSU Agreement under the Amended and Restated 2015 Equity Incentive Plan. |
| 10.5+ | Loan and Security Agreement by and between the Registrant and Silicon Valley Bank, dated July 7, 2016, as amended., dated July 7, 2016, as amended. |
| 10.6+ | Office Lease Agreement by and between the Registrant and Two25 Commons LLC, dated May 9, 2018, as amended. |
| 10.7+ | Amended and Restated Term Loan Agreement by and among the Registrant, Caret Holdings, Inc., SunTrust Bank, and the lenders from time to time party thereto, dated November 25, 2019, as amended. |
| 10.8+ | Note Purchase Agreement by and among the Registrant, Caret Holdings, Inc., Wilmington Trust, National Association, and the noteholders from time to time party thereto, dated November 25, 2019, as amended. |
| 10.9 | Form of Indemnity Agreement entered into by and between the Registrant and each director and executive officer. |
| 10.10* | Offer Letter by and between the Registrant and Alexander Timm, dated , 2020. |
| 10.11* | Amended and Restated Offer Letter by and between the Registrant and Daniel Rosenthal, dated , 2020. |
| 10.12* | Offer Letter by and between the Registrant and Daniel Manges, dated , 2020. |
| 10.13 | Root, Inc. 2020 Equity Incentive Plan, and terms of agreements thereunder. |
| 10.14 | Root, Inc. 2020 Employee Stock Purchase Plan. |

| | |
|---|---|
| 10.15 | Common Stock Purchase Agreement by and between the Registrant and Dragoneer Investment Group, LLC, dated October 19, 2020. |
| 10.16 | Common Stock Purchase Agreement by and between the Registrant and Silver Lake Partners VI, L.P., dated October 19, 2020. |
| 21.1+ | List of subsidiaries of the Registrant. |
| 23.1 | Consent of Deloitte & Touche, independent registered public accounting firm. |
| 23.2 | Consent of Cooley LLP (included in Exhibit 5.1). |
| 24.1 | Power of Attorney (included on signature page). |

\+ Previously Filed
* Filing by Amendment

(b) Financial Statement Schedules.

All financial statement schedules are omitted because the information required to be set forth therein is not applicable or is shown in the consolidated financial statements or the notes thereto.

**Item 17. Undertakings.**

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant under the foregoing provisions or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Columbus, State of Ohio, on October 20, 2020.

**ROOT, INC.**

By: /s/ Alexander Timm
Alexander Timm
Chief Executive Officer

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Alexander Timm and Daniel Rosenthal, and each one of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in their name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to sign any registration statement for the same offering covered by this registration statement that is to be effective on filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Alexander Timm<br>Alexander Timm | Chief Executive Officer and Director<br>*(Principal Executive Officer)* | October 20, 2020 |
| /s/ Daniel Rosenthal<br>Daniel Rosenthal | Chief Financial Officer and Director<br>*(Principal Financial Officer)* | October 20, 2020 |
| /s/ Megan Binkley<br>Megan Binkley | Chief Accounting Officer<br>*(Principal Accounting Officer)* | October 20, 2020 |
| *<br>Christopher Olsen | Director | October 20, 2020 |
| *<br>Doug Ulman | Director | October 20, 2020 |
| *<br>Elliot Geidt | Director | October 20, 2020 |
| /s/ Jerri DeVard<br>Jerri DeVard | Director | October 20, 2020 |
| /s/ Larry Hilsheimer<br>Larry Hilsheimer | Director | October 20, 2020 |
| /s/ Luis von Ahn<br>Luis von Ahn | Director | October 20, 2020 |
| *<br>Nancy Kramer | Director | October 20, 2020 |
| *<br>Nick Shalek | Director | October 20, 2020 |
| /s/ Scott Maw<br>Scott Maw | Director | October 20, 2020 |

* By: /s/ Alexander Timm
Alexander Timm
Attorney-in-Fact

**Root, Inc.**

**Class A Common Stock, par value $0.0001 per share**

___

***Underwriting Agreement***

[___], 2020

Goldman Sachs & Co. LLC
Morgan Stanley & Co. LLC
Barclays Capital Inc.
Wells Fargo Securities, LLC

As representatives (the "Representatives") of the several Underwriters named in Schedule I hereto,

c/o Goldman Sachs & Co. LLC
200 West Street,
New York, New York 10282-2198

c/o Morgan Stanley & Co. LLC
1585 Broadway
New York, New York 10036

c/o Barclays Capital Inc.
745 Seventh Avenue
New York, New York 10019

c/o Wells Fargo Securities, LLC
500 West 33rd Street
New York, New York 10001

Ladies and Gentlemen:

Root, Inc., a Delaware corporation (the "Company"), proposes, subject to the terms and conditions stated in this agreement (this "Agreement"), to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of [___] shares and, at the election of the Underwriters, up to [___] additional shares of Class A Common Stock, par value $0.0001 per share ("Stock") of the Company, and the selling stockholder of the Company named in Schedule II hereto (the "Selling Stockholder") proposes, subject to the terms and conditions stated in this Agreement, to sell to the Underwriters an aggregate of [___] shares of Stock. The aggregate of [___] shares to be sold by the Company and the Selling Stockholder is herein called the "Firm Shares", and the aggregate of [___] additional shares of Stock to be sold by the Company is herein called the "Optional Shares". The Firm Shares and the Optional Shares that the Underwriters elect to purchase pursuant to Section 2 hereof are herein collectively called the "Shares".

Morgan Stanley & Co. LLC ("Morgan Stanley") has agreed to reserve a portion of the Shares to be purchased by it under this Agreement for sale to the Company's [directors, officers,

employees and business associates and other parties related to the Company] (collectively, "Participants"), as set forth in each of the Pricing Prospectus and the Prospectus under the heading "Underwriting" (the "Directed Share Program"). The Shares to be sold by Morgan Stanley and its affiliates pursuant to the Directed Share Program, at the direction of the Company, are referred to hereinafter as the "Directed Shares". To the extent that the Directed Shares are not orally confirmed for purchase by the Participants by the end of the first business day after the date of this Agreement, such Directed Shares may be offered to the public by the Underwriters as part of the public offering contemplated hereby.

As described in the Pricing Prospectus and the Prospectus, pursuant to purchase agreements between the Company and one or more funds affiliated with each of Dragoneer Investment Group, LLC and Silver Lake Partners VI, L.P. entered into on or about the date hereof, the Company has agreed to issue to such fund or funds, in privately negotiated transactions, an aggregate of [___] shares of Class A common stock in private placements (such shares, the "Private Placement Shares", and such transactions, the "Concurrent Private Placements"). The offering contemplated hereby is not conditioned on the consummation of the Concurrent Private Placements.

(a) The Company represents and warrants to, and agrees with, each of the Underwriters that:

(i) A registration statement on Form S-1 (File No. 333-249332) (the "Initial Registration Statement") in respect of the Shares has been filed with the Securities and Exchange Commission (the "Commission"); the Initial Registration Statement and any post-effective amendment thereto, each in the form heretofore delivered to the Representatives, have been declared effective by the Commission in such form; other than a registration statement, if any, increasing the size of the offering (a "Rule 462(b) Registration Statement"), filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "Act"), which became effective upon filing, no other document with respect to the Initial Registration Statement has been filed with the Commission; and no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, has been issued and no proceeding for that purpose or under Section 8A of the Act has been initiated or, to the Company's knowledge, threatened by the Commission (any preliminary prospectus included in the Initial Registration Statement or filed with the Commission pursuant to Rule 424(a) under the Act is hereinafter called a "Preliminary Prospectus"; the various parts of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof and deemed by virtue of Rule 430A under the Act to be part of the Initial Registration Statement at the time it was declared effective, each as amended at the time such part of the Initial Registration Statement became effective or such part of the Rule 462(b) Registration Statement, if any, became or hereafter becomes effective, are hereinafter collectively called the "Registration Statement"; the Preliminary Prospectus relating to the Shares that was included in the Registration Statement immediately prior to the Applicable Time (as defined in Section 1(iii) hereof) is hereinafter called the "Pricing Prospectus"; such final prospectus, in the form first filed pursuant to Rule 424(b) under the Act, is hereinafter called the "Prospectus"; any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Act or Rule 163B under the Act is hereinafter called a "Testing-the-Waters Communication"; and any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Act is hereinafter called a "Written Testing-the-Waters Communication"; and any

“issuer free writing prospectus” as defined in Rule 433 under the Act relating to the Shares is hereinafter called an “Issuer Free Writing Prospectus”);

(ii)(A) No order preventing or suspending the use of any Preliminary Prospectus or any Issuer Free Writing Prospectus has been issued by the Commission, and (B) each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided*, *however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information (as defined in Section 9(b) of this Agreement);

(iii) For the purposes of this Agreement, the “Applicable Time” is [___]: [a.m.][p.m.] (New York City time) on the date of this Agreement. The Pricing Prospectus, as supplemented by the information listed on Schedule III(c) hereto, taken together (collectively, the "Pricing Disclosure Package"), as of the Applicable Time, did not, and as of each Time of Delivery (as defined in Section 4(a) of this Agreement) will not, include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Issuer Free Writing Prospectus and each Written Testing-the-Waters Communication does not conflict with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus and each Issuer Free Writing Prospectus and each Written Testing-the-Waters Communication, as supplemented by and taken together with the Pricing Disclosure Package, as of the Applicable Time, did not , and as of each Time of Delivery will not, include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(iv) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will conform, in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to each part of the Registration Statement, as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, and as of each Time of Delivery, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(v) Neither the Company nor any of its subsidiaries has, since the date of the latest audited financial statements included in the Pricing Prospectus and the Prospectus, (i) sustained any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree or (ii) entered into any transaction or agreement that is material to the Company and its subsidiaries taken as a whole or incurred any liability or obligation, direct or contingent, that is material to the Company and its subsidiaries taken as a whole, in each case otherwise than as set forth or contemplated in the Pricing Prospectus and the Prospectus; and, since the respective dates as of which information is given in the

Registration Statement, the Pricing Prospectus and the Prospectus, there has not been (x) any change in the capital stock (other than as a result of (i) the exercise of stock options or settlement of restricted stock units (including any "net" or "cashless" exercises or settlements), if any, or the award of stock options, restricted stock units, restricted stock or other awards, in each case in the ordinary course of business and pursuant to the Company's equity plans that are described in the Pricing Prospectus and the Prospectus, (ii) the repurchase of shares of capital stock upon termination of the holder's employment or service with the Company pursuant to agreements providing for an option to repurchase or a right of first refusal on behalf of the Company that are described in the Pricing Prospectus and Prospectus, or (iii) the issuance, if any, of stock upon exercise or conversion of Company securities as described in the Pricing Prospectus and the Prospectus), or any increase in long-term debt of the Company or any of its subsidiaries or (y) any Material Adverse Effect (as defined below); as used in this Agreement, "Material Adverse Effect" shall mean any material adverse change or effect, or any development involving a prospective material adverse change or effect, in or affecting (i) the business, properties, general affairs, management, prospects, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, taken as a whole, except as set forth or contemplated in the Pricing Prospectus and the Prospectus, or (ii) the ability of the Company to perform its obligations under this Agreement, including the issuance and sale of the Shares, or to consummate the transactions contemplated in the Pricing Prospectus and the Prospectus;

(vi) The Company and its subsidiaries do not own any real property and have good and marketable title to all personal property owned by them (other than with respect to Intellectual Property, title to which is exclusively addressed in paragraphs (aa), (bb) and (cc)), in each case free and clear of all liens, encumbrances and defects except such as are described in the Pricing Prospectus and the Prospectus or such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases (subject to the effects of (i) bankruptcy, insolvency, fraudulent conveyance, fraudulent transfer, reorganization, moratorium or other similar laws relating to or affecting the rights or remedies of creditors generally; (ii) the application of general principles of equity (including without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether enforcement is considered in proceedings at law or in equity); and (iii) applicable law and public policy with respect to rights to indemnity and contribution) with such exceptions as are not material and do not materially interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries;

(vii) Each of the Company and its subsidiaries has been (i) duly organized and is validly existing and in good standing under the laws of its jurisdiction of organization, with corporate power and authority to own its properties and conduct its business as described in the Pricing Prospectus and the Prospectus, and (ii) duly qualified as a foreign corporation for the transaction of business and is in good standing (where such concept exists) under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except, in the case of this clause (ii), where the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and each subsidiary of the Company has been listed in the Registration Statement;

(viii) The Company has an authorized capitalization as set forth in the Pricing Prospectus and the Prospectus and all of the issued and outstanding shares of capital stock of the Company, including the Shares to be sold by the Selling Stockholder, have been duly and validly authorized and issued and are fully paid and non-assessable and conform in all material respects to the description of the Stock contained in the Pricing Disclosure Package and the Prospectus; and all of the issued and outstanding shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and (except, in the case of any foreign subsidiary, for directors' qualifying shares) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims, except for such liens or encumbrances described in the Pricing Prospectus and the Prospectus;

(ix) This Agreement has been duly authorized, executed and delivered by the Company. The Shares have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and fully paid and non-assessable and will conform in all material respects to the description of the Stock contained in the Pricing Disclosure Package and the Prospectus; and the issuance of the Shares is not subject to any preemptive or similar rights, except rights that have been complied with or validly waived in writing as of the date of this Agreement;

(x) The issue and sale of the Shares to be sold by the Company and the compliance by the Company with this Agreement and the consummation of the transactions contemplated in this Agreement, the Pricing Prospectus and the Prospectus will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, (i) any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, (ii) the certificate of incorporation or by-laws (or other applicable organizational document) of the Company or any of its subsidiaries, or (iii) any statute or any judgment, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, except, in the case of clauses (i) and (iii) for such defaults, breaches, or violations that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or regulatory or other body is required for the issue of the Shares to be sold by the Company and the sale of the Shares by the Company or the consummation by the Company of the transactions contemplated by this Agreement, except such as have been obtained under the Act, the approval by the Financial Industry Regulatory Authority (“FINRA”) of the underwriting terms and arrangements and such consents, approvals, authorizations, orders, registrations or qualifications as have been obtained or as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters;

(xi) Neither the Company nor any of its subsidiaries is (i) in violation of its certificate of incorporation or by-laws (or other applicable organizational document), (ii) in violation of any statute or any judgment, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, or (iii) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, except,

in the case of the foregoing clauses (ii) and (iii), for such defaults as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(xii) The statements set forth in the Pricing Prospectus and the Prospectus under the caption “Description of Capital Stock**”**, insofar as they purport to constitute a summary of the terms of the Stock, and under the captions “Regulation”, “Material U.S. Federal Income Tax Consequences to Non-U.S. Holders of Our Class A Common Stock”, “Shares Eligible for Future Sale,” “Underwriting”, insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate, complete and fair, in all material respects;

(xiii) Other than as set forth in the Pricing Prospectus and the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries or, to the Company's knowledge, any officer or director of the Company, is a party or of which any property or assets of the Company or any of its subsidiaries or, to the Company's knowledge, any officer or director of the Company, is the subject which, if determined adversely to the Company or any of its subsidiaries (or such officer or director), would individually or in the aggregate reasonably be expected have a Material Adverse Effect; and, to the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or others;

(xiv) The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof, will not be an “investment company”, as such term is defined in the Investment Company Act of 1940, as amended (the “Investment Company Act”);

(xv) At the time of filing the Initial Registration Statement and any post-effective amendment thereto, at the earliest time thereafter that the Company or any offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) under the Act) of the Shares, and at the date hereof, the Company was not and is not an “ineligible issuer,” as defined under Rule 405 under the Act;

(xvi) Deloitte & Touche LLP, who has certified certain financial statements of the Company and its subsidiaries, is an independent registered public accounting firm as required by the Act and the rules and regulations of the Commission thereunder;

(xvii) The Company maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that (i) complies with the requirements of the Exchange Act applicable to the Company, (ii) has been designed by the Company’s principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles (“GAAP”) and (iii) is designed to provide reasonable assurance that (A) transactions are executed in accordance with management’s general or specific authorization, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets, (C) access to assets is permitted only in accordance with management’s general or specific authorization and (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and the Company’s internal control over financial reporting is effective and the Company is not aware of any material weaknesses or any significant deficiencies in its internal control over financial reporting (it being understood that this subsection shall not require the Company to comply with Section 404 of the Sarbanes Oxley Act

of 2002, as amended, and the rules and regulations promulgated in connection therewith (the “Sarbanes-Oxley Act”) as of an earlier date than it would otherwise be required to so comply under applicable law);

(xviii) Since the date of the latest audited financial statements included in the Pricing Prospectus and the Prospectus, there has been no change in the Company’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting;

(xix) The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) that comply with the requirements of the Exchange Act; such disclosure controls and procedures have been designed to ensure that material information relating to the Company and its subsidiaries is made known to the Company's principal executive officer and principal financial officer by others within those entities; and such disclosure controls and procedures are effective;

(xx) This Agreement has been duly authorized, executed and delivered by the Company;

(xxi) None of the Company or any of its subsidiaries or affiliates or any director, officer or employee thereof, or, to the knowledge of the Company, any agent, representative or other person associated with or acting on behalf of the Company or any of its subsidiaries or affiliates has (i) has made, offered, promised or authorized any unlawful contribution, gift, entertainment or other unlawful expense or taken or will take any act in furtherance thereof); (ii) made, offered, promised or authorized any direct or indirect unlawful payment (or has taken or will take any act in furtherance thereof); (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, the Bribery Act 2010 of the United Kingdom or any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions or any other applicable anti-bribery or anti-corruption law; or (iv) made, offered, agreed, requested or taken or will take an act in furtherance of any unlawful bribe or other unlawful benefit, including, without limitation, any rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit; and the Company and its subsidiaries and affiliates have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintained and will continue to maintain policies and procedures designed to promote and achieve compliance with such laws and with the representations and warranties contained herein. Neither the Company nor any of its subsidiaries will use, directly or indirectly, the proceeds of the offering of the Shares in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any person in violation of any applicable anti-corruption laws;

(xxii) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with the requirements of applicable anti-money laundering, financial recordkeeping and reporting requirements and laws including, but not limited to, the Bank Secrecy Act of 1970, as amended by the USA PATRIOT ACT of 2001, and the rules and regulations promulgated thereunder, and the anti-money laundering laws of the various jurisdictions in which the Company and its subsidiaries conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the “Money Laundering Laws”) and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened;

(xxiii) None of the Company or any of its subsidiaries or any director, officer or employee thereof of or, to the Company's knowledge, any agent, affiliate or representative of the Company or any of its subsidiaries is, or is owned or controlled by one or more persons that are, currently the subject or the target of any sanctions administered or enforced by the U.S. Government, including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, or the U.S. Department of State and including, without limitation, the designation as a "specially designated national" or "blocked person," the European Union, Her Majesty's Treasury, the United Nations Security Council, or other relevant sanctions authority (collectively, "Sanctions"), or located, organized or resident in a country or territory that is the subject or target of Sanctions (including, without limitation, Crimea, Cuba, Iran, North Korea and Syria, (ii) the Company will not directly or indirectly use the proceeds of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (A) to fund or facilitate any activities of or business of or with any person, or in any country or territory, that, at the time of such funding or facilitation, is the subject or the target of Sanctions or (B) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions; and (iii) the Company has implemented and maintains adequate internal controls and procedures to monitor and audit transactions that are reasonably designed to detect and prevent any use of the proceeds from the offering contemplated hereby that is inconsistent with any of the Company's representations and obligations under clause (iii) of this paragraph; for the past five years, the Company and its subsidiaries have not knowingly engaged in and are not now knowingly engaged in any dealings or transactions with any person that at the time of the dealing or transaction is or was the subject or the target of Sanctions or with or in any country or territory targeted by Sanctions;

(xxiv) The financial statements included in the Registration Statement, the Pricing Prospectus and the Prospectus, together with the related schedules and notes, present fairly in all material respects the financial position of the Company and its subsidiaries at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company and its subsidiaries for the periods specified; said financial statements have been prepared in conformity with GAAP applied on a consistent basis throughout the periods involved. The supporting schedules, if any, present fairly in accordance with GAAP the information required to be stated therein. The selected financial data and the summary financial information included in the Registration Statement, the Pricing Prospectus and the Prospectus present fairly in all material respects the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included therein. Except as included therein, no historical or pro forma financial statements or supporting schedules are required to be included in the Registration Statement, the Pricing Prospectus or the Prospectus under the Act or the rules and regulations promulgated thereunder. All disclosures contained in the Registration Statement, the Pricing Prospectus and the Prospectus regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations of the Commission) comply in all material respects with Regulation G of the Exchange Act and Item 10 of Regulation S-K of the Act, to the extent applicable;

(xxv) From the time of initial confidential submission of a registration statement relating to the Shares with the Commission through (or, if earlier, the first date on which the Company engaged directly or through any person authorized to act on its behalf in any Testing-the-Waters Communication) the date hereof, the Company has been and is an "emerging growth company" as defined in Section 2(a)(19) of the Act (an "Emerging Growth Company");

(xxvi) There are no persons with registration rights or other similar rights to have any securities registered pursuant to the Registration Statement or otherwise registered by the Company under the Act, except as have been validly waived or complied with;

(xxvii) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, to the Company's knowledge, (i) the Company and its subsidiaries own or possess, or to the Company's knowledge, can obtain on reasonable terms, adequate rights to use all: patents (together with any reissues, continuations, continuations-in-part, divisions, renewals, extensions, counterparts and reexaminations thereof), patent applications (including provisional applications), other rights in discoveries and inventions (whether patentable or unpatentable); trademarks, service marks, trade names, logos, Internet domain names and other indicia of origin and all registrations and applications therefor; rights in published and unpublished works of authorship, whether copyrightable or not (including software, website content and related documentation), and copyrights and all registrations and applications therefor; trade secrets, know-how and other confidential or proprietary information, including systems, procedures, methods, technologies, algorithms, designs, data, and any other information meeting the definition of a trade secret under the Uniform Trade Secrets Act or similar laws ("Trade Secrets") and other technology and intellectual property rights, (collectively, "Intellectual Property"), owned or currently used by the Company or any of its subsidiaries, or necessary for the conduct of their respective businesses as currently conducted and as proposed to be conducted, in each case as such businesses are described in the Pricing Prospectus and the Prospectus (the "Company Intellectual Property").

(xxviii) To the Company's knowledge, the conduct of the Company's and its subsidiaries' respective businesses has not violated, infringed, misappropriated or conflicted with any Intellectual Property rights of others, in each case except as would not reasonably be expected to have a Material Adverse Effect. Except as would not reasonably be expected to have a Material Adverse Effect, the Company and its subsidiaries have not received any written notice of any claim of infringement, misappropriation of or conflict with any such rights of others. To the Company's knowledge, there are no third parties who have ownership rights or material rights to use any Company Intellectual Property owned or purported to be owned by the Company or any of its subsidiaries, except for (i) the retained rights of owners of the Company Intellectual Property that is licensed to the Company or its subsidiaries; and (ii) the rights of customers, suppliers, service providers, and business, strategic and channel partners to use Company Intellectual Property. Except where the outcome of which would not reasonably be expected to have a Material Adverse Effect: (i) there is no pending, or to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the Company's rights or any of its subsidiaries' rights in or to any of the Company Intellectual Property; (ii) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the validity, enforceability or scope of any of the Company Intellectual Property; (iii) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others that the Company or any of its subsidiaries infringes or misappropriates any Intellectual Property rights of others; (iv) there is no pending or threatened action, suit, proceeding or claim by the Company or any of its subsidiaries that a third party infringes or misappropriates any of the Company Intellectual Property; and (v) to the Company's knowledge, no Intellectual Property has been obtained or is being used by the Company or any of its subsidiaries in violation of any contractual obligation binding on the Company or any of its subsidiaries, or otherwise in violation of the rights of any persons.

(xxix) Except as would not reasonably be expected to have a Material Adverse Effect, the Company and its subsidiaries have taken reasonable steps to secure their respective interests in the Intellectual Property developed by their employees, consultants, agents and contractors in the course of their service to the Company. There are no outstanding options, licenses or binding agreements of any kind relating to the Company Intellectual Property owned or purported to be owned by the Company or any of its subsidiaries that are required to be described in the Registration Statement, the Pricing Prospectus and the Prospectus and are not so described. The Company and its subsidiaries are not a party to or bound by any options, licenses or binding agreements with respect to any Intellectual Property of any other person or entity that are required to be set forth in the Prospectus and are not so set forth. Except as would not be reasonably expected to have a Material Adverse Effect, no government funding, facilities or resources of a university, college, other educational institution or educational or governmental research center was used in the development for the Company or any of its subsidiaries of any Intellectual Property that is owned or purported to be owned by the Company or any of its subsidiaries. Except as would not be reasonably expected to have a Material Adverse Effect, the Company and its subsidiaries have taken reasonable steps to maintain the confidentiality of all Trade Secrets of the Company or any of its subsidiaries.

(xxx) Except as disclosed in the Pricing Prospectus and Prospectus, and except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, the Company and its subsidiaries have used software (including source code) and other materials that are distributed under a “free,” “open source,” or similar licensing model, including software distributed under the GNU General Public License, GNU Lesser General Public License, GNU Affero General Public License, New BSD License, MIT License, Common Public License and other licenses approved as Open Source licenses under the Open Source Definition of the Open Source Initiative (“Open Source Materials”). The Company operates in compliance with all license terms applicable to such Open Source Materials, except where the failure to comply would not reasonably be expected to have a Material Adverse Effect. Neither the Company nor any of its subsidiaries has used or distributed any Open Source Materials in a manner that requires or has required as a result of such use or distribution: (i) the Company or any of its subsidiaries to permit reverse engineering of any products or services of the Company or any of its subsidiaries, or any software code or other technology owned by the Company or any of its subsidiaries, or (ii) any products or services of the Company or any of its subsidiaries, or any software code or other technology owned by the Company or any of its subsidiaries, to be (A) disclosed or distributed in source code form, (B) licensed for the purpose of making derivative works, or (C) redistributed at no charge , except, in the case of each of the preceding (i) and (ii), such as would not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect.

(xxxi) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, to the Company’s knowledge, the information technology systems, equipment and software used by the Company or any of its subsidiaries in their respective businesses (the “IT Assets”) (i) operate and perform in all respects in accordance with their documentation and functional specifications and otherwise as required by the Company’s and its subsidiaries’ respective businesses as currently conducted, (ii) are adequate for the operation of the business of the Company and its subsidiaries as currently conducted, (iii) are free of any viruses, “back doors,” “Trojan horses,” “time bombs, “worms,” “drop dead devices” or other Software or hardware components that are designed to interrupt use of, permit unauthorized access to, or disable, damage or erase, any Software material to the business of the Company or any of its subsidiaries. The Company and its subsidiaries have used

reasonable efforts designed to implement and maintain commercially reasonable backup and disaster recovery technology processes. To the Company's knowledge, no person has gained unauthorized access to any IT Asset since the Company's inception in a manner that has resulted or would reasonably be expected to have a Material Adverse Effect;

(xxxii) The Company and its subsidiaries (i) have operated and currently operate their respective businesses in a manner compliant in all respects with all privacy, data security and data protection laws and regulations applicable to the Company's and its subsidiaries' respective receipt, collection, handling, processing, sharing, transfer, usage, disclosure or storage of all user data and all other information that identifies or relates to a distinct individual or otherwise constitutes personally identifiable information, including such information containing financial data, IP addresses, mobile device identifiers and website usage activity ("Personal and Device Data"), (ii) have implemented and maintain policies and procedures designed to protect the privacy, integrity, security and confidentiality of all Personal and Device Data handled, processed, collected, shared, transferred, used, disclosed and/or stored by the Company or its subsidiaries, respectively, in connection with their operation of their respective businesses, (iii) have and are in compliance with policies and procedures designed to ensure compliance with applicable privacy and data protection laws, (iv) have required and do require all third parties to which they provide any Personal and Device Data to maintain the privacy and security of such Personal and Device Data, and (v) to the knowledge of the Company, have not experienced any security incident that has compromised the privacy and/or security of any Personal and Device Data, except in the case of each of (i), (ii), (iii), (iv) and (v) where the failure to so comply would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company and its subsidiaries, taken as a whole;

(xxxiii) Any statistical, industry-related and market-related data included in the Pricing Prospectus and the Prospectus are based on or derived from sources that the Company believes, after reasonable inquiry, to be reliable and accurate in all material respects;

(xxxiv) The Company is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are, in the Company's reasonable judgment, prudent and customary in the business in which it is engaged; and the Company has no reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not individually or in the aggregate reasonably be expected to have a Material Adverse Effect;

(xxxv) (i) Each of the Company and each subsidiary of the Company that is required to be organized and licensed as an insurance company, an insurance agency, or other entity under the supervisory jurisdiction of a U.S. or non-U.S. insurance regulator (each, an "Insurance Company," and collectively the "Insurance Companies") is duly licensed or authorized as an insurer, an agent, or other applicable entity type under the supervisory jurisdiction of a U.S. or non-U.S. insurance regulator in each other jurisdiction where it is required to be so licensed or authorized to conduct its business as described in the Pricing Prospectus and the Prospectus, except in each case where the failure to be so organized, licensed or authorized would not reasonably be expected to have a Material Adverse Effect; (ii) each of the Insurance Companies is in compliance with and conducts its businesses in conformity with all applicable insurance and consumer financial services laws and regulations, except in each case as would not, individually or in the aggregate, have a Material Adverse Effect; (iii) each of the Insurance Companies has made all required filings under applicable insurance company statutes and has filed all notices, reports, declarations, documents or any other information required to be filed thereunder

(including statutory annual and quarterly statements and statutory balance sheets and income statements included therein), except in each case where the failure to do so would not reasonably be expected to have a Material Adverse Effect; (iv) each of the Insurance Companies has obtained and currently holds all other necessary authorizations, approvals, orders, consents, licenses, certificates, permits, registrations and qualifications (collectively, the "Approvals"), of and from all insurance regulatory authorities necessary to conduct their respective existing businesses as described in the Pricing Prospectus and the Prospectus, except where the failure to have such Approvals would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; (v) none of the Insurance Companies has received any written or oral notification from any insurance regulatory authority to the effect that any additional authorization, approval, order, consent, license, certificate, permit, registration or qualification from any insurance regulatory authority is needed to be obtained by any of the Insurance Companies other than in any case where the failure to acquire such additional authorization, approval, order, consent, license, certificate, permit, registration or qualification would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; (vi) to the Company's knowledge, there is no pending or threatened action, suit, proceeding or investigation against any of the Insurance Companies from any insurance regulatory authority that could reasonably be expected to lead to any modification, revocation, termination or suspension of any Approval, except in each case where such modification, revocation, termination or suspension would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and (vii) no insurance regulatory authority having jurisdiction over any Insurance Company has issued, or to the Company's knowledge intends to issue, any order or decree impairing, restricting or prohibiting (A) the payment of dividends by any of the Insurance Companies to its parent, other than those restrictions applicable to insurance or reinsurance companies under such jurisdiction generally, or (B) the continuation of the business of any of the Insurance Companies in all respects as presently conducted, in each case except where such orders or decrees would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(xxxvi) No Insurance Company has received any written notice from any of the other parties to any reinsurance treaties, contracts, agreements or arrangements to which any of the Insurance Companies is a party that such other party intends not to perform its obligations thereunder, except to the extent that such nonperformance would not have a Material Adverse Effect;

(xxxvii) The Company and its subsidiaries possess all licenses, certificates, permits and other authorizations (collectively, the "Government Licenses") issued by, and have made all declarations and filings with, the appropriate federal, state, local or foreign governmental or regulatory authorities that are necessary for the ownership or lease of their respective properties or the conduct of their respective businesses as described in the Registration Statement, the Pricing Prospectus and the Prospectus, except where the failure to possess or make the same would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; the Company and its subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and neither the Company nor any of its subsidiaries has received notice of any revocation or modification (or proceedings related thereto) of any Governmental License or has any reason to believe that any Governmental License will not be renewed in the ordinary course, in each case, except where such revocation, modification, or non-renewal would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(xxxviii) The Company and its subsidiaries have no off-balance sheet arrangements (as defined in Regulation S-K Item 303(a)(4)(ii)) that may have a material current or future effect on the Company's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures or capital resources;

(xxxix) (i) Each Plan (as defined below) sponsored by the Company or any of its subsidiaries has been sponsored, maintained and contributed to in compliance with its terms and the requirements of any applicable laws, statutes, orders, rules and regulations, including but not limited to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Internal Revenue Code of 1986, as amended (the "Code"), except for noncompliance that would not reasonably be expected to have a Material Adverse Effect; (ii) no non-exempt prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any Plan sponsored by the Company or any of its subsidiaries; (iii) for each Plan that is subject to the funding rules of Section 412 of the Code or Section 302 of ERISA, no failure to satisfy the minimum funding standards (within the meaning of Section 412 of the Code or Section 302 of ERISA), whether or not waived, has occurred or is reasonably expected to occur; (iv) no "reportable event" (within the meaning of Section 4043(c) of ERISA, other than those events as to which notice is waived) has occurred or is reasonably expected to occur that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect; (v) neither the Company nor any member of its "Controlled Group" (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414 of the Code) has incurred, nor is reasonably expected to incur, any material liability under Title IV of ERISA (other than contributions to any Plan or any Multiemployer Plan (as defined below) or premiums to the Pension Benefit Guaranty Corporation ("PBGC"), in the ordinary course and without default) in respect of a Plan or a Multiemployer Plan; and (vi) there is no pending audit or investigation by the U.S. Internal Revenue Service, the U.S. Department of Labor, the PBGC or any other governmental agency or any foreign regulatory agency with respect to any Plan sponsored by the Company or any of its subsidiaries that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect. None of the following events has occurred or is reasonably likely to occur, except as would not reasonably be expected to have a Material Adverse Effect: (x) an increase in the aggregate amount of contributions required to be made to all Plans by the Company or its subsidiaries in the current fiscal year of the Company and its subsidiaries compared to the amount of such contributions made in the Company's and its subsidiaries' most recently completed fiscal year; or (y) an increase in the Company's and its subsidiaries' "accumulated post-retirement benefit obligations" (within the meaning of FASB Accounting Standards Codification Topic 715) compared to the amount of such obligations in the Company's and its subsidiaries' most recently completed fiscal year. For purposes of this paragraph, (1) the term "Plan" means an employee benefit plan, within the meaning of Section 3(3) of ERISA, subject to Title IV of ERISA, but excluding any Multiemployer Plan, sponsored, maintained or contributed to (or required to be contributed to) by the Company or any member of its "Controlled Group" (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414(b), (c), (m) or (o) of the Code) has any liability and (2) the term "Multiemployer Plan" means a multiemployer plan within the meaning of Section 4001(a)(3) of ERISA that is contributed to or required to be contributed to by the Company or any member of its Controlled Group;

(xl) (i) No labor disturbance by or dispute with employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is contemplated or threatened, and (ii) the Company is not aware of any existing or imminent labor disturbance by, or dispute with,

the employees of any of its or its subsidiaries' principal suppliers, contractors or customers, except, in the case of clause (i) or clause (ii), as would not be reasonably expected to have a Material Adverse Effect;

(xli) The Company and each of its subsidiaries have filed all tax returns required to be filed through the date hereof, subject to permitted extensions, and have paid all taxes (whether or not shown as due on any tax return) (in each case, except for cases in which the failure to file or pay would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect). No tax deficiency has been determined adversely to the Company or any of its subsidiaries that has not been fully paid or otherwise resolved and the Company does not have any knowledge of any tax deficiency which could reasonably be expected to be determined adversely to the Company or its subsidiaries, in each case except for cases where a tax deficiency would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(xlii) Neither the Company nor any of its subsidiaries is a party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against any of them or any Underwriter for a brokerage commission, finder's fee or like payment in connection with the offering and sale of the Shares;

(xliii) The Company has taken all necessary actions to ensure that it is in compliance with all provisions of the Sarbanes-Oxley Act with which the Company is required to comply as of the Applicable Time;

(xliv) The Company and its subsidiaries (i) are in compliance with any and all applicable environmental laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses as currently conducted and as currently proposed to be conducted and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have (or reasonably be expected to have) a Material Adverse Effect; to the Company's knowledge, there are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a Material Adverse Effect;

(xlv) Neither the Company nor any of its subsidiaries has taken, directly or indirectly, any action that was designed to or that has constituted or that might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(xlvi) No relationship, direct or indirect, or related party transaction exists between or among the Company, on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company, on the other, that is required by the Act to be described in the Registration Statement and the Prospectus and that is not so described in such documents and in the Registration Statement, the Pricing Disclosure Package and the Prospectus;

(xlvii) No forward-looking statement (within the meaning of Section 27A of the Act and Section 21E of the Exchange Act) contained in the Registration Statement, the Pricing

Prospectus or the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith;

(xlviii) There are no debt securities, convertible securities or preferred stock issued or guaranteed by the Company or any of its subsidiaries that is rated by any "nationally recognized statistical rating organization", as such term is defined under Section 3(a)(62) under the Exchange Act;

(xlix) The Registration Statement, the Preliminary Prospectus, the Pricing Prospectus, the Prospectus and any Issuer Free Writing Prospectus (i) comply, and any further amendments or supplements thereto will comply, with any applicable laws or regulations of foreign jurisdictions in which the Preliminary Prospectus, the Pricing Prospectus, the Prospectus and any Issuer Free Writing Prospectus, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program, and (ii) no authorization, approval, consent, license, order, registration or qualification of or with any government, or governmental instrumentality or body, or court, other than such as have been obtained, is required in connection with the offering of the Directed Shares in any jurisdiction in which the Directed Shares are offered. The Company has not offered, or caused Morgan Stanley or any Morgan Stanley Entity (as defined in Section 11 to offer, any Directed Shares to any person pursuant to the Directed Share Program with the intent to unlawfully influence (i) a customer, supplier or partner of the Company to alter the customer's, supplier's or partner's level or type of business with the Company or (ii) a trade journalist or publication to write or publish favorable information about the Company or its products and services.

(l) The Private Placement Shares to be issued and sold by the Company in the Concurrent Private Placements have been duly and validly authorized and, when issued and delivered against payment therefor, will be duly and validly issued and fully paid and non-assessable and will conform in all material respects to the description of the Stock contained in the Pricing Prospectus and the Prospectus; and the Private Placement Shares will be issued in a transaction that (a) is exempt from registration under the Act pursuant to Rule 506(c) of Regulation D promulgated under the Act ("Rule 506(c)") and (b) complies with all requirements of Rule 506(c).

(b) The Selling Stockholder represents and warrants to, and agrees with, each of the Underwriters and the Company that:

**(i)** All consents, approvals, authorizations and orders necessary for the execution and delivery by the Selling Stockholder of this Agreement and for the sale and delivery of the Shares to be sold by the Selling Stockholder hereunder, have been obtained; and the Selling Stockholder has full right, power and authority to enter into this Agreement and to sell, assign, transfer and deliver the Shares to be sold by the Selling Stockholder hereunder;

**(ii)** The sale of the Shares to be sold by the Selling Stockholder hereunder and the compliance by the Selling Stockholder with this Agreement and the consummation of the transactions herein and therein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any statute, indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which the Selling Stockholder is a party or by which the Selling Stockholder is bound or to which any of the property or assets of the Selling Stockholder is subject, nor will such action result in any violation of the provisions of the Certificate of Incorporation or Bylaws of the Selling Stockholder (or similar applicable organizational document) or any statute or any judgment, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Selling Stockholder or any of its

subsidiaries or any property or assets of the Selling Stockholder; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental body or agency is required for the performance by the Selling Stockholder of its obligations under this Agreement and the consummation by the Selling Stockholder of the transactions contemplated by this Agreement in connection with the Shares to be sold by the Selling Stockholder hereunder, except the registration under the Act of the Shares, and such consents, approvals, authorizations, orders, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters;

**(iii)** The Selling Stockholder has, and immediately prior to the First Time of Delivery (as defined in Section 4 hereof) the Selling Stockholder will have, good and valid title to, or a valid "security entitlement" within the meaning of Section 8-501 of the New York Uniform Commercial Code in respect of, the Shares to be sold by the Selling Stockholder hereunder, free and clear of all liens, encumbrances, equities or claims; and, upon delivery of such Shares and payment therefor pursuant hereto, good and valid title to such Shares, free and clear of all liens, encumbrances, equities or claims, will pass to the several Underwriters;

**(iv)** On or prior to the date of the Pricing Prospectus, the Selling Stockholder has executed and delivered to the Underwriters an agreement substantially in the form of Annex II hereto;

**(v)** The Selling Stockholder has not taken and will not take, directly or indirectly, any action that is designed to or that has constituted or might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

**(vi)** To the extent that any statements or omissions made in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto are made in reliance upon and in conformity with written information furnished to the Company by the Selling Stockholder pursuant to Items 7 and 11(m) of Form S–1 expressly for use therein, such Registration Statement and Preliminary Prospectus did, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will, when they become effective or are filed with the Commission, as the case may be, conform in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

**(vii)** In order to document the Underwriters' compliance with the reporting and withholding provisions of the Tax Equity and Fiscal Responsibility Act of 1982 with respect to the transactions herein contemplated, the Selling Stockholder will deliver to you prior to or at the First Time of Delivery a properly completed and executed United States Treasury Department Form W-9 or appropriate Form W-8 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof);

**(viii)** The Selling Stockholder will not directly or indirectly use the proceeds of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, (i) to fund or facilitate any activities of or business with any person, or in any country or territory, that, at the time of such funding, is the subject or the target of Sanctions, or in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions, or (ii) in furtherance of an offer, payment, promise to pay, or

authorization of the payment or giving of money, or anything else of value, to any person in violation of any Money Laundering Laws or any applicable anti-bribery or anti-corruption laws;

**(ix)** The Selling Stockholder is not prompted by any information concerning the Company or any of its subsidiaries that is not disclosed in the Pricing Prospectus to sell its Shares pursuant to this Agreement; and

(x) (i) None of such Selling Shareholder or any of its subsidiaries, or, to the knowledge of such Selling Shareholder, any director, officer, employee, agent, representative, or affiliate thereof, is a person that is, or is owned or controlled by one or more persons that are:

(A) the subject of any Sanctions, or

(B) located, organized or resident in a country or territory that is the subject of Sanctions (including, without limitation, Crimea, Cuba, Iran, North Korea and Syria).

(ii) Such Selling Shareholder will not, directly or indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person:

(A) to fund or facilitate any activities or business of or with any person or in any country or territory that, at the time of such funding or facilitation, is the subject of Sanctions; or

(B) in any other manner that will result in a violation of Sanctions by any person (including any person participating in the offering, whether as underwriter, advisor, investor or otherwise).

(iii) Such Selling Shareholder has not knowingly engaged in, is not now knowingly engaged in, and will not engage in, any dealings or transactions with any person, or in any country or territory, that at the time of the dealing or transaction is or was the subject of Sanctions.

(iv)(a) None of such Selling Shareholder or any of its subsidiaries, or, to the knowledge of such Selling Shareholder, any director, officer, employee, agent, representative, or affiliate thereof has taken or will take any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment giving or receipt of money, property, gifts or anything else of value, directly or indirectly, to any Government Official in order to influence official action, or to any person in violation of any applicable anti-corruption laws; (b) such Selling Shareholder and each of its subsidiaries have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintained and will continue to maintain policies and procedures reasonably designed to promote and achieve compliance with such laws and with the representations and warranties contained herein; and (c) neither the Selling Shareholder nor any of its subsidiaries will use, directly or indirectly, the proceeds of the offering in furtherance of an offer, payment, promise to pay, or

authorization of the payment or giving of money, or anything else of value, to any person in violation of any applicable anti-corruption laws.

(v) The operations of such Selling Shareholder and each of its subsidiaries are and have been conducted at all times in material compliance with all applicable Anti-Money Laundering Laws, and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving such Selling Shareholder or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the best knowledge of the Selling Shareholder, threatened.

2. Subject to the terms and conditions herein set forth, (a) the Company agrees to issue and sell and the Selling Stockholder agrees to sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company and the Selling Stockholder, at a purchase price per share of $[___], the number of Firm Shares as set forth opposite the name of such Underwriter in Schedule I hereto and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at the purchase price per share set forth in clause (a) of this Section 2 (provided that the purchase price per Optional Share shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Firm Shares but not payable on the Optional Shares), that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by the Representatives so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction, the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of Optional Shares that all of the Underwriters are entitled to purchase hereunder.

The Company hereby grants to the Underwriters the right to purchase at their election up to [___] Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering sales of shares in excess of the number of Firm Shares, provided that the purchase price per Optional Share shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Firm Shares but not payable on the Optional Shares. Any such election to purchase Optional Shares may be exercised only by written notice from the Representatives to the Company, given within a period of 30 calendar days after the date of this Agreement, setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by the Representatives but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless the Representatives and the Company otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

3. Upon the authorization by the Representatives of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Pricing Prospectus and the Prospectus.

4. (a) The Shares to be purchased by each Underwriter hereunder, in book-entry form, and in such authorized denominations and registered in such names as the Representatives may request upon at least forty-eight hours' prior notice to the Company and the Selling Stockholder shall be delivered by or on behalf of the Company and the Selling

Stockholder to the Representatives, through the facilities of the Depository Trust Company ("DTC"), for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the account specified by the Company to the Representatives at least forty-eight hours in advance. The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., New York City time, on [___], 2020 or such other time and date as the Representatives and the Company and the Selling Stockholder may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York time, on the date specified by the Representatives in the written notice given by the Representatives of the Underwriters' election to purchase such Optional Shares, or such other time and date as the Representatives and the Company may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery", such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery", and each such time and date for delivery is herein called a "Time of Delivery".

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 8 hereof, including the cross receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 8(l) hereof, will be delivered at the offices of Goodwin Procter LLP, 601 Marshall Street, Redwood City, California 94063 (the "Closing Location"), and the Shares will be delivered at the office of DTC or its designated custodian, all at such Time of Delivery. A meeting will be held at the Closing Location on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Section 4, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by the Representatives and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Act; to make no further amendment or any supplement to the Registration Statement or the Prospectus prior to the last Time of Delivery which shall be disapproved by the Representatives promptly after reasonable notice thereof; to advise the Representatives, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any amendment or supplement to the Prospectus has been filed and to furnish the Representatives with copies thereof; to file promptly all materials required to be filed by the Company with the Commission pursuant to Rule 433(d) under the Act; to advise the Representatives, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order suspending the effectiveness of the Registration Statement or preventing or suspending the use of any Preliminary Prospectus or other prospectus in respect of the Shares, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose or pursuant to Section 8A of the Act or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any

Preliminary Prospectus or other prospectus or suspending any such qualification, to promptly use its best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as the Representatives may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as the Representatives may reasonably request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation (where not otherwise required), to subject itself to taxation for doing business in any jurisdiction in which it is not otherwise subject to taxation or to file a general consent to service of process in any jurisdiction (where not otherwise required);

(c) Prior to 10:00 a.m., New York City time, on the New York Business Day next succeeding the date of this Agreement (or such later time as may be agreed by the Company and the Representatives) and from time to time, to furnish the Underwriters with written and electronic copies of the Prospectus in New York City in such quantities as the Representatives may reasonably request, and, if the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus in order to comply with the Act, to notify the Representatives and upon the Representatives' request to prepare and furnish without charge to each Underwriter and to any dealer in securities as many written and electronic copies as the Representatives may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance; and in case any Underwriter is required to deliver a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon the request of the Representatives but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many written and electronic copies as the Representatives may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its securityholders as soon as practicable (which may be satisfied by filing with the Commission's Electronic Data Gathering Analysis and Retrieval System ("EDGAR")), but in any event not later than sixteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158);

(e)(1) During the period beginning from the date hereof and continuing to and including the date 180 days after the date of the Prospectus (the "Lock-Up Period"), not to (i) offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, or file with or confidentially submit to the Commission a registration statement under the Act relating to, any securities of the Company that are

substantially similar to the Shares, including but not limited to any options or warrants to purchase shares of Stock or any securities that are convertible into or exchangeable for, or that represent the right to receive, Stock or any such substantially similar securities, (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Stock or any such other securities, or (iii) publicly disclose the intention to do any of the foregoing described in either (i) or (ii) above, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Stock or such other securities, in cash or otherwise, in each case without the prior written consent of at least two of Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC and Barclays Capital Inc. (the "Release Agents"); provided, however, that the foregoing restrictions shall not apply to (i) the Shares to be sold hereunder, (ii) the issuance by the Company of common stock upon the exercise of options or the settlement of restricted stock units outstanding as of the date of this Agreement or issued after the date of this Agreement pursuant to the Company's equity plans described in the Pricing Prospectus and Prospectus, (iii) the issuance by the Company of shares of common stock or securities convertible into, exchangeable for or that represent that right to receive shares of common stock, in each case pursuant to the Company's equity plans described in the Pricing Prospectus and Prospectus, (iv) the issuance by the Company of shares of common stock pursuant to the exercise of warrants described in the Pricing Prospectus and Prospectus, (v) the issuance by the Company of shares of Class A common stock upon the conversion of shares of Class B common stock, (vi) the issuance by the Company of shares of Stock or securities convertible into, exchangeable for or that represent the right to receive Stock in connection with (x) the acquisition by the Company or any of its subsidiaries of the securities, business, technology, property or other assets of another person or entity or pursuant to an employee benefit plan assumed by the Company in connection with such acquisition, and the issuance of any such securities pursuant to any such agreement, or (y) the Company's joint ventures, commercial relationships and other strategic relationships, (vii) the filing of any registration statement on Form S-8 relating to the securities granted or to be granted pursuant to (A) the Company's equity plans that are described in the Pricing Prospectus and Prospectus or (B) any assumed employee benefit plan contemplated by clause (vi), or (viii) the issuance by the Company of shares of Class A common stock in the Concurrent Private Placements; provided, that the aggregate number of shares of Stock that the Company may sell or issue or agree to sell or issue pursuant to clause (vi) shall not exceed 5% of the total number of shares of common stock of the Company outstanding immediately following the issuance of the Shares contemplated by this Agreement; and provided further, that in the case of clauses (ii), (iii), (iv), and (vi), the Company shall cause each recipient of such securities to execute and deliver to Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC and Barclays Capital Inc. on or prior to the issuance of such securities, a lock-up letter in substantially the form attached as Annex II hereto for the remainder of the Lock-Up Period (as defined therein) and enter stop transfer instructions with the Company's transfer agent and registrar on such securities, which the Company agrees it will not waive or amend without the prior written consent of the Release Agents;

(2) If the Release Agents, in their sole discretion, agree to release or waive the restrictions set forth in lock-up letters pursuant to Section 8(i) hereof, in each case for an officer or director of the Company, and provide the Company with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially

in the form of Annex I hereto through a major news service at least two business days before the effective date of the release or waiver.

(f) During a period of three years from the effective date of the Registration Statement, so long as the Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Exchange Act, to furnish to its stockholders as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), to make available to its stockholders consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail, provided that no reports, documents or other information need to be furnished pursuant to this Section 5(f) to the extent that they are available on EDGAR or the provision of which would require disclosure by the Company under Regulation FD;

(g) During a period of three years from the effective date of the Registration Statement, so long as the Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Exchange Act, to furnish to the Representatives copies of all reports or other communications (financial or other) furnished to stockholders, and to deliver to the Representatives (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed and (ii) such additional information concerning the business and financial condition of the Company as the Representatives may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company and its subsidiaries are consolidated in reports furnished to its stockholders generally or to the Commission), provided that no reports, documents or other information need to be furnished pursuant to this Section 5(g) to the extent that they are available on EDGAR;

(h) To use the net proceeds received by it from the sale of the Shares pursuant to this Agreement in the manner specified in the Pricing Prospectus and the Prospectus under the caption “Use of Proceeds”;

(i) To use its reasonable best efforts to list for quotation the Shares on the Nasdaq Stock Market Inc.’s National Market (the “Exchange”);

(j) To file with the Commission such information on Form 10-Q or Form 10-K as may be required by Rule 463 under the Act;

(k) If the Company elects to rely upon Rule 462(b), the Company shall file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by 10:00 P.M., Washington, D.C. time, on the date of this Agreement, and the Company shall at the time of filing either pay to the Commission the filing fee for the Rule 462(b) Registration Statement or give irrevocable instructions for the payment of such fee pursuant to Rule 111(b) under the Act;

(l) Upon request of any Underwriter, to furnish, or cause to be furnished, to such Underwriter an electronic version of the Company’s trademarks, servicemarks and corporate logo for use on the website, if any, operated by such Underwriter for the purpose of facilitating the on-line offering of the Shares (the “License”); provided, however, that the License shall be used solely for the purpose described above, is granted without any fee and may not be assigned or transferred; and

(m) To promptly notify the Representatives if the Company ceases to be an Emerging Growth Company at any time prior to the later of (i) completion of the distribution of the Shares within the meaning of the Act and (ii) the last Time of Delivery.

(n) Neither the Company nor its subsidiaries or affiliates will take, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Stock.

(o) The Company will deliver to each Underwriter (or its agent), on or prior to the date of execution of this Agreement, a properly completed and executed Certification Regarding Beneficial Owners of Legal Entity Customers, together with copies of identifying documentation, and the Company undertakes to provide such additional supporting documentation as each Underwriter may reasonably request in connection with the verification of the foregoing Certification.

(p) In connection with the Directed Share Program, the Company will ensure that the Directed Shares will be restricted to the extent required by FINRA or its rules from sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of the effectiveness of the Registration Statement. The Underwriters will notify the Company as to which Participants will need to be so restricted. The Company will direct the transfer agent to place stop transfer restrictions upon such securities for such period of time. Should the Company release, or seek to release, from such restrictions any of the Directed Shares, the Company agrees to reimburse the Underwriters for any reasonable expenses (including, without limitation, legal expenses) they incur in connection with such release.

(q) To comply with all applicable securities and other laws, rules and regulations in each jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

6. (a) The Company represents and agrees that, without the prior consent of the Representatives, it has not made and will not make any offer relating to the Shares that would constitute a “free writing prospectus” as defined in Rule 405 under the Act; the Selling Stockholder represents and agrees that, without the prior consent of the Company and the Representatives, it has not made and will not make any offer relating to the Shares that would constitute a free writing prospectus; and each Underwriter represents and agrees that, without the prior consent of the Company and the Representatives, it has not made and will not make any offer relating to the Shares that would constitute a free writing prospectus required to be filed with the Commission; any such free writing prospectus the use of which has been consented to by the Company and the Representatives is listed on Schedule III(a) hereto;

(b) The Company has complied and will comply with the requirements of Rule 433 under the Act applicable to any Issuer Free Writing Prospectus, including timely filing with the Commission or retention where required and legending; and the Company represents that it has satisfied and agrees that it will satisfy the conditions under Rule 433 under the Act to avoid a requirement to file with the Commission any electronic road show;

(c) The Company agrees that if at any time following issuance of an Issuer Free Writing Prospectus or Written Testing-the-Waters Communication any event occurred or occurs as a result of which such Issuer Free Writing Prospectus or Written Testing-the-Waters Communication would conflict with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to

the Representatives and, if requested by the Representatives, will prepare and furnish without charge to each Underwriter an Issuer Free Writing Prospectus, Written Testing-the-Waters Communication or other document which will correct such conflict, statement or omission;

(d) The Company represents and agrees that (i) it has not engaged in, or authorized any other person to engage in, any Testing-the-Waters Communications, other than Testing-the-Waters Communications with the prior consent of the Representatives with entities that the Company reasonably believes are qualified institutional buyers as defined in Rule 144A under the Act or institutions that are accredited investors as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Act; and (ii) it has not distributed, or authorized any other person to distribute, any Written Testing-the-Waters Communications, other than those distributed with the prior consent of the Representatives that are listed on Schedule III(d) hereto; and the Company reconfirms that the Underwriters have been authorized to act on its behalf in engaging in Testing-the-Waters Communications;

(e) Each Underwriter represents and agrees that (i) any Testing-the-Waters Communications undertaken by it were with entities that such Underwriter reasonably believes are qualified institutional buyers as defined in Rule 144A under the Act or institutions that are accredited investors as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Act and (ii) it will not distribute, or authorize any other person to distribute, any Written Testing-the-Waters Communication, other than those distributed with the prior written authorization of the Company.

7. The Company covenants and agrees with the several Underwriters and the Selling Stockholder that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing, reproduction and filing of the Registration Statement, any Preliminary Prospectus, any Written Testing-the-Waters Communication, any Issuer Free Writing Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any Agreement among Underwriters, this Agreement, the Blue Sky Memorandum, if any, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 5(b) hereof, including the reasonably incurred and documented fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey (iv) all fees and expenses in connection with listing the Shares on the Exchange; and (v) the filing fees incident to, and the reasonably incurred and documented fees and disbursements of counsel for the Underwriters in connection with, any required review by FINRA of the terms of the sale of the Shares; (vi) the cost of preparing stock certificates, if applicable; (vii) the cost and charges of any transfer agent or registrar; (viii) all reasonable fees and disbursements of counsel incurred by the Underwriters in connection with the Directed Share Program and stamp duties, similar taxes or duties or other taxes, if any, incurred by the Underwriters in connection with the Directed Share Program; and (ix) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section, provided, however, that the amount payable by the Company pursuant to subsection (iii) and the reasonable fees and disbursements of counsel to the Underwriters described in subsection (v) shall not exceed $40,000 in the aggregate. It is understood, however, that, except as provided in this Section, and Sections 9, 10 and 13 hereof,

the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Shares by them, their own lodging, travel and meal expenses (including expenses for group meals attended by the Company, the underwriters, and potential investors) in connection with any “roadshow,” and any advertising expenses connected with any offers they may make, and that the Underwriters shall be responsible for 50% of the cost of any chartered plane, jet, private aircraft, other aircraft or other transportation chartered in connection with any “roadshow” presentation to investors undertaken in connection with the offering of the Shares hereunder (with the remaining 50% of the cost to be paid by the Company). The Selling Stockholder will pay or cause to be paid all costs and expenses incident to the performance of such Selling Stockholder's obligations hereunder which are not otherwise specifically provided for in this Section, including (i) any fees and expenses of counsel for such Selling Stockholder, and (ii) all expenses and taxes incident to the sale and delivery of the Shares to be sold by such Selling Stockholder to the Underwriters hereunder. In connection with clause (ii) of the preceding sentence, the Representatives agree to pay New York State stock transfer tax, and the Selling Stockholder agrees to reimburse the Representatives for associated carrying costs if such tax payment is not rebated on the day of payment and for any portion of such tax payment not rebated. It is understood, however, that [the Company shall bear, and the Selling Stockholder shall not be required to pay or to reimburse the Company for, the cost of any other matters not directly relating to the sale and purchase of the Shares pursuant to this Agreement, and that], except as provided in this Section, and Sections 9 and 12 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Shares by them, and any advertising expenses connected with any offers they may make.

8. The obligations of the Underwriters hereunder, as to the Shares to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company and the Selling Stockholder herein are, at and as of the Applicable Time and such Time of Delivery, true and correct, the condition that the Company and the Selling Stockholder shall have performed all of its obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; all materials required to be filed by the Company pursuant to Rule 433(d) under the Act shall have been filed with the Commission within the applicable time period prescribed for such filing by Rule 433; if the Company has elected to rely upon Rule 462(b) under the Act, the Rule 462(b) Registration Statement shall have become effective by 10:00 P.M., Washington, D.C. time, on the date of this Agreement; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose or under Section 8A of the Act shall have been initiated or threatened by the Commission; no stop order suspending or preventing the use of the Pricing Prospectus, Prospectus or any Issuer Free Writing Prospectus shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to the Representatives’ reasonable satisfaction;

(b) Goodwin Procter LLP, counsel for the Underwriters, shall have furnished to the Representatives such written opinion and negative assurance letter, dated such Time of Delivery, in form and substance satisfactory to the Representatives, and such

counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Cooley LLP, counsel for the Company and the Selling Stockholder, shall have furnished to the Representatives their written opinion and negative assurance letter, dated such Time of Delivery, in form and substance satisfactory to the Representatives:

(e) On the date of the Prospectus at a time prior to the execution of this Agreement, at 9:30 a.m., New York City time, on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and also at each Time of Delivery, Deloitte & Touche LLP shall have furnished to the Representatives a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to the Representatives;

(f) (i) Neither the Company nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements included in the Pricing Prospectus and the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus and the Prospectus, and (ii) since the respective dates as of which information is given in the Pricing Prospectus and the Prospectus there shall not have been any change in the capital stock (other than as a result of (A) the exercise of stock options or settlement of restricted stock units (including any “net” or “cashless” exercises or settlements), if any, or the award of stock options, restricted stock units, restricted stock or other awards, in each case pursuant to the Company’s equity plans that are described in the Pricing Prospectus and the Prospectus, (B) the repurchase of shares of capital stock upon termination of the holder’s employment or service with the Company pursuant to agreements providing for an option to repurchase or a right of first refusal on behalf of the Company, in each case pursuant to agreements that are described in the Pricing Prospectus and Prospectus, or (C) the issuance, if any, of stock upon exercise or conversion of Company securities as described in the Pricing Prospectus and the Prospectus) or long-term debt of the Company or any of its subsidiaries or any change or effect, or any development involving a prospective change or effect, in or affecting (x) the business, properties, general affairs, prospects, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, taken as a whole, except as set forth or contemplated in the Pricing Prospectus and the Prospectus, or (y) the ability of the Company to perform its obligations under this Agreement, including the issuance and sale of the Shares, or to consummate the transactions contemplated in the Pricing Prospectus and the Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in the Representatives’ judgment so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Pricing Prospectus and the Prospectus;

(g) On or after the Applicable Time there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the Exchange or on the New York Stock Exchange; (ii) a suspension or material limitation in trading in the Company’s securities on the Exchange; (iii) a general moratorium on commercial banking activities declared by either Federal or New York or California State

authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war or (v) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (iv) or (v) in the Representatives' judgment makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Pricing Prospectus and the Prospectus;

(h) The Shares to be sold at such Time of Delivery shall have been duly listed for quotation, on the Exchange;

(i) The Company shall have obtained and delivered to the Underwriters executed copies of an agreement from the persons listed on Schedule IV hereto, substantially in the form set forth in Annex II hereof and in form and substance satisfactory to the Representatives;

(j) The Company shall have complied with the provisions of Section 5(c) hereof with respect to the furnishing of prospectuses on the New York Business Day next succeeding the date of this Agreement; and

(k) The Company shall have furnished to the Representatives, on each date on which Deloitte & Touche LLP delivers to the Representatives a letter pursuant to Section [8(e)], a certificate, dated the respective dates of delivery thereof and addressed to the Underwriters, of its chief financial officer with respect to certain financial data contained in the Pricing Disclosure Package and the Prospectus, providing "management comfort" with respect to such information, in form and substance satisfactory to the Representatives.

(l) The Company and the Selling Stockholder shall have furnished or caused to be furnished to the Representatives at such Time of Delivery certificates of officers of the Company and of the Selling Stockholder satisfactory to the Representatives as to the accuracy of the representations and warranties of the Company and the Selling Stockholder, respectively, herein at and as of such Time of Delivery, as to the performance by the Company and the Selling Stockholder of all of their respective obligations hereunder to be performed at or prior to such Time of Delivery, as to the matters set forth in subsections (a) and [(f)] of this Section and as to such other matters as the Representatives may reasonably request.

9. (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus, any "roadshow" as defined in Rule 433(h) under the Act (a "roadshow"), any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Act or any Testing-the-Waters Communication prepared or authorized by the Company, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably

incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; *provided*, *however*, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, any roadshow, or any Testing-the-Waters Communication, in reliance upon and in conformity with the Underwriter Information.

(b) The Selling Stockholder will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus, any roadshow or any Testing-the-Waters Communication, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto or any Issuer Free Writing Prospectus, or any roadshow or any Testing-the-Waters Communication, in reliance upon and in conformity with written information furnished to the Company by such Selling Stockholder expressly for use therein; and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that such Selling Stockholder shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus or any amendment or supplement thereto or any Issuer Free Writing Prospectus in reliance upon and in conformity with the Underwriter Information.

(c) Each Underwriter, severally and not jointly, will indemnify and hold harmless the Company and the Selling Stockholder against any losses, claims, damages or liabilities to which the Company or such Selling Stockholder may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or any roadshow or any Testing-the-Waters Communication, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or any roadshow or any Testing-the-Waters Communication, in reliance upon and in conformity with the Underwriter Information; and will reimburse the Company and the Selling Stockholder for any legal or other expenses reasonably incurred by the Company or such Selling Stockholder in connection with investigating or defending any such action or claim

as such expenses are incurred. As used in this Agreement with respect to an Underwriter and an applicable document, “Underwriter Information” shall mean the written information furnished to the Company by such Underwriter through the Representatives expressly for use therein; it being understood and agreed upon that the only such information furnished by any Underwriter consists of the following information in the Prospectus furnished on behalf of each Underwriter: the concession figures appearing in the [__] paragraph under the caption “Underwriting”, and the information contained in the [__] paragraph under the caption “Underwriting”.

(d) Promptly after receipt by an indemnified party under subsection (a) (b) or (c) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; provided that the failure to notify the indemnifying party shall not relieve it from any liability that it may have under the preceding paragraphs of this Section 9 except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under the preceding paragraphs of this Section 9. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(e) If the indemnification provided for in this Section 9 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a), (b) or (c) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholder on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Selling Stockholder on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholder on the one hand and the Underwriters on the other shall

be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company and the Selling Stockholder bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Selling Stockholder on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Selling Stockholder and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subsection (e) were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (e), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (e) to contribute are several in proportion to their respective underwriting obligations and not joint.

(f) The obligations of the Company and the Selling Stockholder under this Section 9 shall be in addition to any liability which the Company and the Selling Stockholder may otherwise have and shall extend, upon the same terms and conditions, to each employee, officer and director of each Underwriter and person, if any, who controls any Underwriter within the meaning of the Act and each broker dealer or other affiliate of any Underwriter; and the obligations of the Underwriters under this Section 9 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company (including any person who, with his or her consent, is named in the Registration Statement as about to become a director of the Company) and to each person, if any, who controls the Company or the Selling Stockholder within the meaning of the Act.

10. (a) The Company agrees to indemnify and hold harmless Morgan Stanley, each person, if any, who controls Morgan Stanley within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and each affiliate of Morgan Stanley within the meaning of Rule 405 of the Securities Act (“Morgan Stanley Entities”) from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (i) that arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the consent of the Company for distribution to Participants in connection with the Directed Share Program or arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) that arise out of,

or are based upon, the failure of any Participant to pay for and accept delivery of Directed Shares that the Participant agreed to purchase; or (iii) related to, arising out of, or in connection with the Directed Share Program, other than losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined to have resulted from the bad faith or gross negligence of Morgan Stanley Entities.

(b) In case any proceeding (including any governmental investigation) shall be instituted involving any Morgan Stanley Entity in respect of which indemnity may be sought pursuant to Section 10(a), the Morgan Stanley Entity seeking indemnity, shall promptly notify the Company in writing and the Company, upon request of the Morgan Stanley Entity, shall retain counsel reasonably satisfactory to the Morgan Stanley Entity to represent the Morgan Stanley Entity and any others the Company may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Morgan Stanley Entity shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Morgan Stanley Entity unless (i) the Company shall have agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Company and the Morgan Stanley Entity and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The Company shall not, in respect of the legal expenses of the Morgan Stanley Entities in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Morgan Stanley Entities. Any such separate firm for the Morgan Stanley Entities shall be designated in writing by Morgan Stanley. The Company shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Company agrees to indemnify the Morgan Stanley Entities from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time a Morgan Stanley Entity shall have requested the Company to reimburse it for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the Company agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by the Company of the aforesaid request and (ii) the Company shall not have reimbursed the Morgan Stanley Entity in accordance with such request prior to the date of such settlement. The Company shall not, without the prior written consent of Morgan Stanley, effect any settlement of any pending or threatened proceeding in respect of which any Morgan Stanley Entity is or could have been a party and indemnity could have been sought hereunder by such Morgan Stanley Entity, unless such settlement includes an unconditional release of the Morgan Stanley Entities from all liability on claims that are the subject matter of such proceeding.

(c) To the extent the indemnification provided for in Section 10(a) is unavailable to a Morgan Stanley Entity or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then the Company in lieu of indemnifying the Morgan Stanley Entity thereunder, shall contribute to the amount paid or payable by the Morgan Stanley Entity as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Morgan Stanley Entities on the other hand from the offering of the Directed Shares or (ii) if the allocation provided by clause 10(c)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 10(c)(i) above but also the relative fault of the Company on the one hand and of the Morgan Stanley Entities on the other hand in connection with any statements or omissions that resulted in such losses, claims,

damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Morgan Stanley Entities on the other hand in connection with the offering of the Directed Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Directed Shares (before deducting expenses) and the total underwriting discounts and commissions received by the Morgan Stanley Entities for the Directed Shares, bear to the aggregate public offering price of the Directed Shares. If the loss, claim, damage or liability is caused by an untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact, the relative fault of the Company on the one hand and the Morgan Stanley Entities on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement or the omission or alleged omission relates to information supplied by the Company or by the Morgan Stanley Entities and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(d) The Company and the Morgan Stanley Entities agree that it would not be just or equitable if contribution pursuant to this Section 10 were determined by pro rata allocation (even if the Morgan Stanley Entities were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 10(c). The amount paid or payable by the Morgan Stanley Entities as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by the Morgan Stanley Entities in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 10, no Morgan Stanley Entity shall be required to contribute any amount in excess of the amount by which the total price at which the Directed Shares distributed to the public were offered to the public exceeds the amount of any damages that such Morgan Stanley Entity has otherwise been required to pay. The remedies provided for in this Section 10 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(e) The indemnity and contribution provisions contained in this Section 10 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Morgan Stanley Entity or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Directed Shares.

11. (a) If any Underwriter shall default in its obligation to purchase the Shares that it has agreed to purchase hereunder at a Time of Delivery, the Representatives may in their discretion arrange for the Representatives or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter the Representatives do not arrange for the purchase of such Shares, then the Company and the Selling Stockholder shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to the Representatives to purchase such Shares on such terms. In the event that, within the respective prescribed periods, the Representatives notify the Company and the Selling Stockholder that the Representatives have so arranged for the purchase of such Shares, or the Company or the Selling Stockholder notifies the Representatives that it has so arranged for the purchase of such Shares, the Representatives or the Company or the Selling Stockholder shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file

promptly any amendments or supplements to the Registration Statement or the Prospectus which in the Representatives' opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the Representatives, the Company and the Selling Stockholder as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Company and the Selling Stockholder shall have the right to require each non-defaulting Underwriter to purchase the number of shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the Representatives, the Company and the Selling Stockholder as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all of the Shares to be purchased at such Time of Delivery, or if the Company and the Selling Stockholder shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to a Second Time of Delivery, the obligations of the Underwriters to purchase and of the Company to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter, the Company or the Selling Stockholder, except for the expenses to be borne by the Company, the Selling Stockholder and the Underwriters as provided in Section 7 hereof and the indemnity and contribution agreements in Section 9 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

12. The respective indemnities, agreements, representations, warranties and other statements of the Company, the Selling Stockholder and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or the Selling Stockholder, or any officer or director or controlling person of the Company, or any controlling person of the Selling Stockholder, and shall survive delivery of and payment for the Shares.

13. If this Agreement shall be terminated pursuant to Section 12 hereof, neither the Company nor the Selling Stockholder shall then be under any liability to any Underwriter except as provided in Sections 7 and 9 hereof; but, if for any other reason (other than those set forth in clauses (i), (iii), (iv) or (v) of Section 8(g)), any Shares are not delivered by or on behalf of the Company and the Selling Stockholder as provided herein or the Underwriters decline to purchase the Shares for any reason permitted under this Agreement, the Company and the Selling Stockholder pro rata (based on the number of Shares to be sold by the Company and the Selling Stockholder hereunder) [, with the number of Shares to be sold by [___] to be included, for purposes of this Section, in the number of Shares to be sold by the Company,] will reimburse the Underwriters through the Representatives for all reasonable and documented out-of-pocket expenses approved in writing by the Representatives, including fees and

disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company and the Selling Stockholder shall then be under no further liability to any Underwriter except as provided in Sections 7 and 9 hereof.

14. In all dealings hereunder, the Representatives shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by the Representatives. All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to the Representatives in care of (i) Goldman Sachs & Co. LLC, 200 West Street, New York, New York 10282-2198, Attention: Registration Department; (ii) Morgan Stanley & Co. LLC, 1585 Broadway, New York, NY 10036, Attention: [___]; (iii) Barclays Capital Inc., 745 Seventh Avenue, New York, New York 10019, Attention: Syndicate Registration (Fax: (646) 834-8133); and (iv) Wells Fargo Securities, LLC, 500 West 33rd Street, New York, New York 10001, Attention: Equity Syndicate Department (fax no: (212) 214-5918); if to any Selling Stockholder shall be delivered or sent by mail, telex or facsimile transmission to counsel for such Selling Stockholder at its address set forth in Schedule II hereto; and if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth on the cover of the Registration Statement, Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 9(c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company or the Selling Stockholder by the Representatives upon request; provided, however, that notices under subsection 5(e) shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to the Representatives at (i) Goldman Sachs & Co. LLC, 200 West Street, New York, New York 10282-2198, Attention: Control Room, (ii) Morgan Stanley & Co. LLC, 1585 Broadway, New York, NY 10036, Attention: [___]; (iii) Barclays Capital Inc., 745 Seventh Avenue, New York, New York 10019, Attention: Syndicate Registration (Fax: (646) 834-8133); and (iv) Wells Fargo Securities, LLC, 500 West 33rd Street, New York, New York 10001, Attention: Equity Syndicate Department (fax no: (212) 214-5918). Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, and the Selling Stockholder, which information may include the name and address of their respective clients, as well as other information that will allow the underwriters to properly identify their respective clients.

15. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and the Selling Stockholder and, to the extent provided in Sections 9 and 12 hereof, the officers and directors of the Company and each person who controls the Company, any Selling Stockholder or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

16. Time shall be of the essence of this Agreement. As used herein, the term “business day” shall mean any day when the Commission's office in Washington, D.C. is open for business.

17. The Company and the Selling Stockholder acknowledge and agree that (i) the purchase and sale of the Shares pursuant to this Agreement is an arm's-length commercial transaction between the Company and the Selling Stockholder, on the one hand, and the several Underwriters, on the other, (ii) in connection therewith and with the process leading to such transaction each Underwriter is acting solely as a principal and not the agent or fiduciary of the Company or the Selling Stockholder, (iii) no Underwriter has assumed an advisory or fiduciary responsibility in favor of the Company or the Selling Stockholder with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company or the Selling Stockholder on other matters) or any other obligation to the Company or the Selling Stockholder except the obligations expressly set forth in this Agreement, (iv) the Company and the Selling Stockholder has consulted its own legal and financial advisors to the extent it deemed appropriate and (v) none of the activities of the several Underwriters in connection with the transactions contemplated by this Agreement constitutes a recommendation, investment advice or solicitation of any action by the Underwriters with respect to any entity or natural person. The Company and the Selling Stockholder agree that it will not claim that the Underwriters, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Company or the Selling Stockholder, in connection with such transaction or the process leading thereto.

18. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company, the Selling Stockholder and the Underwriters, or any of them, with respect to the subject matter hereof.

19. This Agreement and any transaction contemplated by this Agreement and any claim, controversy or dispute arising under or related thereto shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflict of laws that would result in the application of any other law than the laws of the State of New York. The Company and the Selling Stockholder agree that any suit or proceeding arising in respect of this Agreement or any transaction contemplated by this Agreement will be tried exclusively in the U.S. District Court for the Southern District of New York or, if that court does not have subject matter jurisdiction, in any state court located in The City and County of New York and the Company and the Selling Stockholder agree to submit to the jurisdiction of, and to venue in, such courts.

20. The Company, the Selling Stockholder and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

21. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument. The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to this Agreement or any document to be signed in connection with this Agreement shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form. Counterparts may be delivered via facsimile, electronic mail (including any electronic signature covered by the U.S. federal ESIGN Act of 2000, Uniform Electronic Transactions Act, the Electronic Signatures and

Records Act or other applicable law, e.g., www.docusign.com) or other transmission method and any counterpart so delivered shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, and the parties hereto consent to conduct the transactions contemplated hereunder by electronic means.

22. Notwithstanding anything herein to the contrary, the Company and the Selling Stockholder are authorized to disclose to any persons the U.S. federal and state income tax treatment and tax structure of the potential transaction and all materials of any kind (including tax opinions and other tax analyses) provided to the Company and the Selling Stockholder relating to that treatment and structure, without the Underwriters imposing any limitation of any kind. However, any information relating to the tax treatment and tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent necessary to enable any person to comply with securities laws. For this purpose, "tax structure" is limited to any facts that may be relevant to that treatment.

23. Recognition of the U.S. Special Resolution Regimes.

(a) In the event that any Underwriter that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Underwriter of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that any Underwriter that is a Covered Entity or a BHC Act Affiliate of such Underwriter becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement that may be exercised against such Underwriter are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

(c) As used in this section:

"BHC Act Affiliate" has the meaning assigned to the term "affiliate" in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k).

"Covered Entity" means any of the following:

(i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);

(ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

(iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"U.S. Special Resolution Regime" means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

If the foregoing is in accordance with the Representatives' understanding, please sign and return to us counterparts hereof, and upon the acceptance hereof by the Representatives, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement among each of the Underwriters, the Company, and the Selling Stockholder. It is understood that the Representatives' acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters, the form of which shall be submitted to the Company and the Selling Stockholder for examination upon request, but without warranty on the Representatives' part as to the authority of the signers thereof.

Very truly yours,

Root, Inc.

By: .....
Name:
Title:

[Name of Selling Stockholder]

By: .....
Name:
Title:

Accepted as of the date hereof:

**Goldman Sachs & Co. LLC**

**By:** .....
**Name:**
**Title:**

**Morgan Stanley & Co. LLC**

**By:** .....
**Name:**
**Title:**

**Barclays Capital Inc.**

**By:** .....
**Name:**
**Title:**

**Wells Fargo Securities, LLC**

**By:** .....
**Name:**
**Title:**

On behalf of each of the Underwriters

**SCHEDULE I**

| Underwriter | Total Number of Firm Shares to be Purchased | Number of Optional Shares to be Purchased if Maximum Option Exercised |
|---|---|---|
| Goldman Sachs & Co. LLC | | |
| Morgan Stanley & Co. LLC | | |
| Barclays Capital Inc. | | |
| Wells Fargo Securities, LLC | | |
| Deutsche Bank Securities Inc. | | |
| Truist Securities, Inc. | | |
| Citigroup Global Markets, LLC | | |
| Credit Suisse Securities (USA) LLC | | |
| Evercore Group L.L.C. | | |
| UBS Securities LLC | | |
| Cantor Fitzgerald & Co. | | |
| JMP Securities LLC | | |
| Siebert Williams Shank & Co., LLC | | |
| Huntington Securities, Inc. | | |
| Total | | |

**SCHEDULE II**

| [Name of Selling Stockholder] | Total Number of Firm Shares to be Sold |
|---|---|
| Total | |

**SCHEDULE II**

(a) Issuer Free Writing Prospectuses not included in the Pricing Disclosure Package:
Electronic roadshow dated [___], 2020

(b) Additional documents incorporated by reference:
[None]

(c) Information other than the Pricing Prospectus that comprise the Pricing Disclosure Package:
The initial public offering price per share for the Shares is $[___]
The number of Shares purchased by the Underwriters is [___]

(d) Written Testing-the-Waters Communications:
[___]

**SCHEDULE IV**

[Parties to lockup]

[___]

**ANNEX I**

**[Form of Press Release]**

**Root, Inc.**

**[Date]**

Root, Inc (the "Company") announced today that Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC, the lead book-running managers in the Company's recent public sale of [___] shares of Class A Common Stock, are [waiving] [releasing] a lock-up restriction with respect to [___] shares of the Company's Class A Common Stock held by [certain officers or directors] [an officer or director] of the Company. The [waiver] [release] will take effect on , 20 , and the shares may be sold on or after such date.

**This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.**

**[FORM OF LOCK-UP AGREEMENT]**

# AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF ROOT, INC.

Alexander Timm does hereby certify:

**ONE:** The original date of filing the original Certificate of Incorporation of this company with the Secretary of State of the State of Delaware was August 12, 2019, under the name Root Stockholdings, Inc.

**TWO:** He is the duly elected and acting Chief Executive Officer of **Root, Inc.**, a Delaware corporation.

**THREE:** The Certificate of Incorporation of this corporation is hereby amended and restated to read as follows:

## I.

The name of this company is Root, Inc. (the "***Company***").

## II.

The address of the registered office of the Company in the State of Delaware is 3524 Silverside Road Suite 35B, in the City of Wilmington, County of New Castle 19810-4929 and the name of the registered agent of the Company in the State of Delaware at such address is Advantage Delaware, LLC.

## III.

The purpose of the Company is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware ("***DGCL***").

## IV.

**A.** The Company is authorized to issue three classes of stock to be designated, respectively, "Class A Common Stock," "Class B Common Stock" and "Preferred Stock." The total number of shares that the Company is authorized to issue is 1,369,000,000 shares, 1,000,000,000 shares of which shall be Class A Common Stock (the "***Class A Common Stock***"), 269,000,000 shares of which shall be Class B Common Stock (the "***Class B Common Stock***" together with the Class A Common Stock, the "***Common Stock***") and 100,000,000 shares of which shall be Preferred Stock (the "***Preferred Stock***"). The Preferred Stock shall have a par value of $0.0001 per share and the Common Stock shall have a par value of $0.0001 per share. From and after the Effective Time (as defined herein), each share of common stock, par value $0.0001 per share, of the Company ("***Pre-IPO Stock***") issued and outstanding immediately prior to the Effective Time shall automatically be reclassified as and become one share of Class B Common Stock. Certificates representing shares of Pre-IPO Stock prior to the Effective Time shall, from and after the Effective Time, no longer represent shares of Pre-IPO Stock and shall represent only the number of shares of Class B Common Stock into which the shares of Pre-IPO Stock previously represented by such certificate were reclassified pursuant hereto.

**B.** The Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Company is hereby expressly authorized by resolution or resolutions to provide for the issue of all or any of the shares of the Preferred Stock in one or more series, and to fix the number of shares of such shares and to determine for each such series, such voting powers, full or limited, or no voting powers, and such designation, preferences, and relative, participating, optional, or other rights and such qualifications, limitations, or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such shares and as may be permitted by the DGCL. The Board of Directors is also expressly authorized to increase (but not above the authorized number of shares of Preferred Stock) or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series subsequent to the issuance of shares of that series.

**C.** The number of authorized shares of Preferred Stock, Class A Common Stock or Class B Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all of the outstanding shares of stock of the Company entitled to vote thereon, without a separate vote of the holders of the Preferred Stock, or of any series thereof, Class A Common Stock or Class B Common Stock unless a vote of any such holders is required pursuant to the terms of any certificate of designation filed with respect to any series of Preferred Stock.

**D.** Except as provided above, the rights, preferences, privileges, restrictions and other matters relating to the Class A Common Stock and Class B Common Stock are as follows:

**1. Definitions**.

**(a)** "***Acquisition***" means any consolidation or merger of the Company with or into any other Entity, other than any such consolidation or merger in which the stockholders of the Company immediately prior to such consolidation or merger continue to hold a majority of the voting power of the surviving Entity in substantially the same proportions (or, if the surviving Entity is a wholly owned subsidiary of another Entity, the surviving Entity's Parent) immediately after such consolidation, merger or reorganization; or (B) any transaction or series of related transactions to which the Company is a party in which in excess of 50% of the Company's voting power is transferred or issued; provided that an Acquisition shall not include any transaction or series of transactions principally for bona fide equity financing purposes.

**(b)** "***Asset Transfer***" means the sale, lease or exchange of all or substantially all the assets of the Company.

**(c)** "***Bylaws***" means the Bylaws of the Company.

**(d)** "***Certificate of Incorporation***" means the certificate of incorporation of the Company, as amended and/or restated from time to time, including the terms of any certificate of designations of any series of Preferred Stock.

**(e)** "***Disability Event***" means an event that results in a Founder's inability to perform the material duties of his employment by reason of any medically determinable physical or mental impairment that can be expected to result in death within 12 months or can be expected to last for a continuous period of not less than 12 months, as determined by a licensed physician jointly selected by a majority of the Independent Directors and the Founder. If the Founder is incapable of selecting a licensed physician, then the Founder's spouse shall make the selection on behalf of the Founder, or in the

absence or incapacity of the Founder's spouse, the Founder's parents shall make the selection on behalf of the Founder, or in the absence of parents of the Founder, a natural person then acting as the successor trustee of a revocable living trust which was created by the Founder and which holds more shares of all classes of capital stock of the Company than any other revocable living trust created by the Founder shall make the selection on behalf of the Founder, or in absence of any such successor trustee, the legal guardian or conservator of the estate of the Founder shall make the selection on behalf of the Founder.

**(f)** "***Entity***" means any corporation, partnership, limited liability company or other legal entity.

**(g)** "***Effective Time***" means the time the Amended and Restated Certificate of Incorporation of the Company filed with the Secretary of State of the State of Delaware immediately prior to the time shares of Class A Common Stock were first publicly traded became effective in accordance with the DGCL.

**(h)** "***Family Member***" means with respect to any natural person, the spouse, parents, grandparents, lineal descendants, siblings and lineal descendants of siblings (in each case whether by blood relation or adoption) of such person.

**(i)** "***Final Conversion Date***" means (i) the first trading day falling nine (9) months after the date on which the outstanding shares of Class B Common Stock represent less than ten percent (10%) of the aggregate number of shares of the then outstanding Class A Common Stock and Class B Common Stock, (ii) the tenth (10th) anniversary of the Effective Time or (iii) the date specified by affirmative vote of the holders of a majority of the outstanding shares of Class B Common Stock, voting as a single class.

**(j)** "***Founder***" means each of Alexander Timm and Daniel Manges.

**(k)** "***Independent Directors***" mean a majority of the members of the Board designated as independent directors in accordance with the requirements of (i) any national stock exchange under which the Company's equity securities are listed for trading that are generally applicable to companies with common equity securities listed thereon, or (ii) if the Company's equity securities are not listed for trading on a national stock exchange, the requirements of the New York Stock Exchange generally applicable to companies with equity securities listed thereon.

**(l)** "***Liquidation Event***" means (i) any Asset Transfer or Acquisition in which cash or other property is, pursuant to the express terms of the Asset Transfer or Acquisition, to be distributed to the stockholders in respect of their shares of capital stock in the Company or (ii) any liquidation, dissolution and winding up of the Company; *provided, however,* for the avoidance of doubt, compensation pursuant to any employment, consulting, severance or other compensatory arrangement to be paid to or received by a person who is also a holder of Class A Common Stock or Class B Common Stock does not constitute consideration or a "distribution to stockholders" in respect of the Class A Common Stock or Class B Common Stock.

**(m)** "***Parent***" of an Entity means any Entity that directly or indirectly owns or controls a majority of the voting power of the voting securities or interests of such Entity.

**(n)** "***Permitted Entity***" means, with respect to a Qualified Stockholder, any Entity in which such Qualified Stockholder directly, or indirectly through one or more Permitted

Transferees, has sole dispositive power and exclusive Voting Control with respect to all shares of Class B Common Stock held of record by such Entity.

**(o)** "***Permitted Transfer***" means, and shall be restricted to, any Transfer of a share of Class B Common Stock:

**(i)** by a Qualified Stockholder that is a natural person (including a natural person serving in a trustee capacity with regard to a trust for the benefit of himself or herself and/or his or her Family Members), to the trustee of a Permitted Trust of such Qualified Stockholder or to such Qualified Stockholder in his or her individual capacity or as a trustee of a Permitted Trust;

**(ii)** by the trustee of a Permitted Trust of a Qualified Stockholder, to such Qualified Stockholder, the trustee of any other Permitted Trust of such Qualified Stockholder or any Permitted Entity of such Qualified Stockholder;

**(iii)** by a Qualified Stockholder to any Permitted Entity of such Qualified Stockholder; or

**(iv)** by a Permitted Entity of a Qualified Stockholder to such Qualified Stockholder or any other Permitted Entity or the trustee of a Permitted Trust of such Qualified Stockholder.

**(p)** "***Permitted Transferee***" means a transferee of shares of Class B Common Stock received in a Transfer that constitutes a Permitted Transfer.

**(q)** "***Permitted Trust***" means a validly created and existing trust the beneficiaries of which are either a Qualified Stockholder or Family Members of the Qualified Stockholder or both, or a trust under the terms of which such Qualified Stockholder has retained a "qualified interest" within the meaning of §2702(b)(1) of the Internal Revenue Code (as amended from time to time) and/or a reversionary interest.

**(r)** "***Qualified Stockholder***" means (i) the record holder of a share of Class B Common Stock at the Effective Time; (ii) the initial record holder of any share of Class B Common Stock that is originally issued by the Company thereafter (including, without limitation, upon conversion of any Preferred Stock or upon exercise of options or warrants); and (iii) a Permitted Transferee of a Qualified Stockholder.

**(s)** "***Trading Day***" means any day on which The Nasdaq Stock Market and the New York Stock Exchange are open for trading.

**(t)** "***Transfer***" of a share of Class B Common Stock means any sale, assignment, transfer, conveyance, hypothecation or other transfer or disposition of such share or any legal or beneficial interest in such share, whether or not for value and whether voluntary or involuntary or by operation of law, including, without limitation, a transfer of a share of Class B Common Stock to a broker or other nominee (regardless of whether there is a corresponding change in beneficial ownership), or the transfer of, or entering into a binding agreement with respect to, Voting Control (as defined below) over such share by proxy or otherwise; provided, however, that the following shall not be considered a "Transfer" within the meaning of this Article IV:

**(i)** the granting of a revocable proxy to officers or directors of the Company at the request of the Board of Directors in connection with actions to be taken at an annual or special meeting of stockholders;

**(ii)** the existence of any proxy granted prior to the Effective Time or the amendment or expiration of any such proxy;

**(iii)** entering into a voting trust, agreement or arrangement (with or without granting a proxy) solely with stockholders who are holders of Class B Common Stock that (A) is disclosed either in a Schedule 13D filed with the Securities and Exchange Commission or in writing to the Secretary of the Company, (B) either has a term not exceeding one year or is terminable by the holder of the shares subject thereto at any time and (C) does not involve any payment of cash, securities, property or other consideration to the holder of the shares subject thereto other than the mutual promise to vote shares in a designated manner;

**(iv)** the pledge of shares of Class B Common Stock by a stockholder that creates a mere security interest in such shares pursuant to a bona fide loan or indebtedness transaction for so long as such stockholder continues to exercise exclusive Voting Control over such pledged shares; provided, however, that a foreclosure on such shares or other similar action by the pledgee shall constitute a "Transfer" unless such foreclosure or similar action qualifies as a "Permitted Transfer";

**(v)** entering into, or reaching an agreement, arrangement or understanding regarding, a support or similar voting or tender agreement (with or without granting a proxy) in connection with a Liquidation Event, Asset Transfer or Acquisition that has been approved by the Board of Directors; or

**(vi)** granting a proxy by a Founder to a person disclosed to the Independent Directors, to exercise dispositive power and/or Voting Control of the shares of Preferred Stock, Class A Common Stock, and Class B Common Stock owned directly or indirectly, beneficially and of record, by such Founder effective either (i) on the death of such Founder or (ii) during any Disability Event of such Founder, including the exercise of such proxy by such person.

A "***Transfer***" shall also be deemed to have occurred with respect to a share of Class B Common Stock beneficially held by (i) a Permitted Transferee on the date that such Permitted Transferee ceases to meet the qualifications to be a Permitted Transferee of the Qualified Stockholder who effected the Transfer of such shares to such Permitted Transferee, or (ii) an Entity that is a Qualified Stockholder, if there occurs a Transfer on a cumulative basis, from and after the Effective Time, of a majority of the voting power of the voting securities of such Entity or any Parent of such Entity, other than a Transfer to parties that were, as of the Effective Time, holders of voting securities of any such Entity or Parent of such Entity.

**(u)** "***Voting Control***" means, with respect to a share of Preferred Stock, Class A Common Stock, or Class B Common Stock, the power (whether exclusive or shared) to vote or direct the voting of such share by proxy, voting agreement or otherwise.

**2. Rights Relating To Dividends, Subdivisions and Combinations**.

**(a)** Subject to the prior rights of holders of any Preferred Stock at the time outstanding having prior rights as to dividends, the holders of the Class A Common Stock and Class B Common Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of any

assets of the Company legally available therefor, such dividends as may be declared from time to time by the Board of Directors. Except as permitted in Section 2(b), any dividends paid to the holders of shares of Class A Common Stock and Class B Common Stock shall be paid pro rata, on an equal priority, pari passu basis, unless different treatment of the shares of each such class is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A Common Stock and a majority of the outstanding shares of Class B Common Stock, each voting separately as a class.

**(b)** The Company shall not declare or pay any dividend or make any distribution to the holders of Class A Common Stock or Class B Common Stock payable in securities of the Company unless the same dividend or distribution with the same record date and payment date shall be declared and paid on all shares of Common Stock; provided, however, that (i) dividends or other distributions payable in shares of Class A Common Stock or rights to acquire shares of Class A Common Stock may be declared and paid to the holders of Class A Common Stock without the same dividend or distribution being declared and paid to the holders of the Class B Common Stock if, and only if, a dividend payable in shares of Class B Common Stock, or rights to acquire shares of Class B Common Stock, as applicable, are declared and paid to the holders of Class B Common Stock at the same rate and with the same record date and payment date; and (ii) dividends or other distributions payable in shares of Class B Common Stock or rights to acquire shares of Class B Common Stock may be declared and paid to the holders of Class B Common Stock without the same dividend or distribution being declared and paid to the holders of the Class A Common Stock if, and only if, a dividend payable in shares of Class A Common Stock, or rights to acquire shares of Class A Common Stock, as applicable, are declared and paid to the holders of Class A Common Stock at the same rate and with the same record date and payment date.

**(c)** If the Company in any manner subdivides or combines (including by reclassification) the outstanding shares of Class A Common Stock or Class B Common Stock, then the outstanding shares of all Common Stock will be subdivided or combined in the same proportion and manner.

**3. Liquidation Rights**. In the event of a Liquidation Event, upon the completion of the distributions required with respect to any Preferred Stock that may then be outstanding, the remaining assets of the Company legally available for distribution to stockholders, or consideration payable to the stockholders of the Company, in the case of an Acquisition constituting a Liquidation Event, shall be distributed on an equal priority, pro rata basis to the holders of Class A Common Stock and Class B Common Stock (and the holders of any Preferred Stock that may then be outstanding, to the extent required by the Certificate of Incorporation), unless different treatment of the shares of each such class is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A Common Stock and a majority of the outstanding shares of Class B Common Stock, each voting separately as a class; *provided, however*, for the avoidance of doubt, compensation pursuant to any employment, consulting, severance or other compensatory arrangement to be paid to or received by a person who is also a holder of Class A Common Stock or Class B Common Stock does not constitute consideration or a "distribution to stockholders" in respect of the Class A Common Stock or Class B Common Stock.

**4. Voting Rights**.

**(a) Class A Common Stock**. Each holder of shares of Class A Common Stock shall be entitled to one vote for each share thereof held.

**(b)** **Class B Common Stock**. Each holder of shares of Class B Common Stock shall be entitled to ten votes for each share thereof held.

**(c)** **Voting Generally**. Except as required by law, the holders of Preferred Stock, Class A Common Stock and Class B Common Stock shall vote together and not as separate series or classes. Except as otherwise required by applicable law, holders of Class A Common Stock and Class B Common Stock, as such, shall not be entitled to vote on any amendment to the Certificate of Incorporation that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to the Certificate of Incorporation or applicable law.

**5.** **Optional Conversion**.

**(a)** **Optional Conversion of the Class B Common Stock**.

**(i)** At the option of the holder thereof, each share of Class B Common Stock shall be convertible, at any time or from time to time, into one fully paid and nonassessable share of Class A Common Stock as provided herein.

**(ii)** Each holder of Class B Common Stock who elects to convert the same into shares of Class A Common Stock shall surrender the certificate or certificates therefor (if any), duly endorsed, at the office of the Company or any transfer agent for the Class B Common Stock, and shall give written notice to the Company at such office that such holder elects to convert the same and shall state therein the number of shares of Class B Common Stock being converted. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate or certificates representing the shares of Class B Common Stock to be converted, or, if the shares are uncertificated, immediately prior to the close of business on the date that the holder delivers notice of such conversion to the Company's transfer agent and the person entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class A Common Stock at such time.

**6.** **Automatic Conversion**.

**(a)** **Automatic Conversion of the Class B Common Stock**. Each share of Class B Common Stock shall automatically be converted into one fully paid and nonassessable share of Class A Common Stock upon a Transfer, other than a Permitted Transfer, of such share of Class B Common Stock. Such conversion shall occur automatically without the need for any further action by the holders of such shares and whether or not the certificates representing such shares (if any) are surrendered to the Company or its transfer agent; provided, however, that the Company shall not be obligated to issue certificates evidencing the shares of Class A Common Stock issuable upon such conversion unless the certificates evidencing such shares of Class B Common Stock are either delivered to the Company or its transfer agent as provided below, or the holder notifies the Company or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates. Upon the occurrence of such automatic conversion of the Class B Common Stock, the holders of Class B Common Stock so converted shall surrender the certificates representing such shares (if any) at the office of the Company or any transfer agent for the Class A Common Stock.

**(b)** **Conversion upon Death**. Each share of Class B Common Stock held of record by a natural person, including a natural person serving in a trustee capacity, other than a Founder

(including a Founder holding shares in a trustee capacity) or a Permitted Transferee of such Founder, shall automatically, without any further action, convert into one fully paid and nonassessable share of Class A Common Stock upon the death of such natural person. Each share of Class B Common Stock held of record by a Founder (including a Founder holding shares in a trustee capacity) or a Permitted Transferee of such Founder shall automatically, without any further action, convert into one fully paid and nonassessable share of Class A Common Stock nine months after the date of the death of such Founder.

**(c) Final Conversion**. On the Final Conversion Date, each issued share of Class B Common Stock shall automatically, without any further action, convert into one share of Class A Common Stock. Following the Final Conversion Date, the Company may no longer issue any additional shares of Class B Common Stock. Such conversion shall occur automatically without the need for any further action by the holders of such shares and whether or not the certificates representing such shares (if any) are surrendered to the Company or its transfer agent; provided, however, that the Company shall not be obligated to issue certificates evidencing the shares of Class A Common Stock issuable upon such conversion unless the certificates evidencing such shares of Class B Common Stock are either delivered to the Company or its transfer agent as provided below, or the holder notifies the Company or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates. Upon the occurrence of such automatic conversion of the Class B Common Stock, the holders of Class B Common Stock so converted shall surrender the certificates representing such shares (if any) at the office of the Company or any transfer agent for the Class A Common Stock.

**(d) Procedures**. The Company may, from time to time, establish such policies and procedures relating to the conversion of Class B Common Stock to Class A Common Stock and the general administration of this dual class stock structure, including the issuance of stock certificates (or the establishment of book-entry positions) with respect thereto, as it may deem reasonably necessary or advisable, and may from time to time request that holders of shares of Class B Common Stock furnish certifications, affidavits or other proof to the Corporation as it deems necessary to verify the ownership of Class B Common Stock and to confirm that a conversion to Class A Common Stock has not occurred. A determination by the Secretary of the Company as to whether a Transfer results in a conversion to Class A Common Stock shall be conclusive and binding.

**(e) Immediate Effect**. In the event of a conversion of shares of Class B Common Stock to shares of Class A Common Stock pursuant to this Section 6, such conversion(s) shall be deemed to have been made at the time that the Transfer of shares occurred or immediately upon the Final Conversion Date, as applicable. Upon any conversion of Class B Common Stock to Class A Common Stock, all rights of the holder of shares of Class B Common Stock shall cease and the person or persons in whose names or names the certificate or certificates (or book-entry position(s)) representing the shares of Class A Common Stock are to be issued shall be treated for all purposes as having become the record holder or holders of such shares of Class A Common Stock.

**7. Redemption**. The Common Stock is not redeemable.

**8. Reservation of Stock Issuable Upon Conversion**. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Class A Common Stock, solely for the purpose of effecting the conversion of the shares of the Class B Common Stock, as applicable, such number of its shares of Class A Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Class B Common Stock; and if at any time the number

of authorized but unissued shares of Class A Common Stock shall not be sufficient to effect the conversion of all then-outstanding shares of Class B Common Stock, as applicable, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Class A Common Stock to such numbers of shares as shall be sufficient for such purpose.

**9. Prohibition on Reissuance of Shares**. Shares of Class B Common Stock that are acquired by the Company for any reason (whether by repurchase, upon conversion, or otherwise) shall be retired in the manner required by law and shall not be reissued as shares of Class B Common Stock.

**V.**

For the management of the business and for the conduct of the affairs of the Company, and in further definition, limitation and regulation of the powers of the Company, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

**A. Board of Directors**.

**1. Generally**. Except as otherwise provided in the Certificate of Incorporation or the DGCL, the business and affairs of the Company shall be managed by or under the direction of the Board of Directors. The number of directors that shall constitute the Board of Directors shall be fixed exclusively by resolutions adopted by the Board of Directors.

**2. Election**.

**(a)** Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Each class shall consist, as nearly as possible, of one-third of the total number of such directors. The Board of Directors is authorized to assign members of the Board of Directors already in office to such classes at the time the classification becomes effective. At the first annual meeting of stockholders following such initial classification of the Board of Directors, the initial term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following such initial classification of the Board of Directors, the initial term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following such initial classification of the Board of Directors, the initial term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

**(b)** No stockholder entitled to vote at an election for directors may cumulate votes.

**(c)** Notwithstanding the foregoing provisions of this section, each director shall serve until his successor is duly elected and qualified or until his or her earlier death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

**(d)** Election of directors need not be by written ballot unless the Bylaws so provide.

**3.** **Removal of Directors**. Subject to any limitations imposed by applicable law, removal shall be as provided in Section 141(k) of the DGCL.

**4.** **Vacancies**. Subject to any limitations imposed by applicable law and subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors, shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders and except as otherwise provided by applicable law, be filled only by the Board of Directors by a majority of the directors then in office, although less than a quorum, or by the sole remaining director, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified.

**5.** **Preferred Directors**. Notwithstanding anything herein to the contrary, during any period when the holders of any series of Preferred Stock, voting separately as a series or together with one or more series, have the right to elect additional directors, then upon commencement and for the duration of the period during which such right continues: (i) the then otherwise total authorized number of directors of the Company shall automatically be increased by such specified number of directors, and the holders of such Preferred Stock shall be entitled to elect the additional directors so provided for or fixed pursuant to said provisions; and (ii) each such additional director shall serve until such director's successor shall have been duly elected and qualified, or until such director's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his or her earlier death, resignation, retirement, disqualification or removal. Except as otherwise provided by the Board of Directors in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect additional directors are divested of such right pursuant to the provisions of such stock, the terms of office of all such additional directors elected by the holders of such stock, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional directors, shall forthwith terminate and the total authorized number of directors of the Company shall be reduced accordingly.

**B.** **Stockholder Actions**. No action shall be taken by the stockholders of the Company except at an annual or special meeting of stockholders called in accordance with the Bylaws and no action shall be taken by the stockholders by written consent. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Company shall be given in the manner provided in the Bylaws.

**C.** **Bylaws**. The Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws. The stockholders shall also have power to adopt, amend or repeal the Bylaws; *provided, however,* that, in addition to any vote of the holders of any class or series of stock of the Company required by law or by the Certificate of Incorporation, such action by stockholders shall require the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of the capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class.

**VI.**

**A.** The liability of the directors of the Company for monetary damages for breach of fiduciary duty as a director shall be eliminated to the fullest extent permitted under applicable law.

**B.** To the fullest extent permitted by applicable law, the Company may provide indemnification of (and advancement of expenses to) directors, officers, and other agents of the Company (and any other persons to which applicable law permits the Company to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise.

**C.** Any repeal or modification of this Article VI shall only be prospective and shall not affect the rights under this Article VI in effect at the time of the alleged occurrence of any action or omission to act giving rise to liability.

**D.** Unless the Company consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) and any appellate court therefrom shall be the sole and exclusive forum for the following claims or causes of action under the Delaware statutory or common law: (A) any derivative claim or cause of action brought on behalf of the Company; (B) any claim or cause of action for breach of a fiduciary duty owed by any current or former director, officer or other employee of the Company, to the Company or the Company's stockholders; (C) any claim or cause of action against the Company or any current or former director, officer or other employee of the Company, arising out of or pursuant to any provision of the DGCL, this Amended and Restated Certificate of Incorporation or the Bylaws (as each may be amended from time to time); (D) any claim or cause of action seeking to interpret, apply, enforce or determine the validity of this Amended and Restated Certificate of Incorporation or the Bylaws (as each may be amended from time to time, including any right, obligation, or remedy thereunder); (E) any claim or cause of action as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware; and (F) any claim or cause of action against the Company or any current or former director, officer or other employee of the Company, governed by the internal-affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court having personal jurisdiction over the indispensable parties named as defendants. This Section D of Article VI shall not apply to claims or causes of action brought to enforce a duty or liability created by the Securities Act of 1933, as amended (the "***1933 Act***"), or the Securities Exchange Act of 1934, as amended, or any other claim for which the federal courts have exclusive jurisdiction.

**E.** Unless the Company consents in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the 1933 Act.

**F.** Any person or entity holding, owning or otherwise acquiring any interest in any security of the Company shall be deemed to have notice of and consented to the provisions of this Amended and Restated Certificate of Incorporation.

**VII.**

**A.** The Company reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, except

as provided in paragraph B. of this Article VII, and all rights conferred upon the stockholders herein are granted subject to this reservation.

**B.** Notwithstanding any other provisions of this Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote required by law or by this Certificate of Incorporation, the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or repeal Articles V, VI, and VII.

* * * *

**FOUR:** This Amended and Restated Certificate of Incorporation has been duly authorized in accordance with Sections 228, 242 and 245 of the DGCL.

*[Signature Page Follows]*

Root, Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by a duly authorized officer on _____, 2020.

Root, Inc.

By: _____

Alexander Timm
Chief Executive Officer

# AMENDED AND RESTATED BYLAWS

# OF

# ROOT, INC.
# (A DELAWARE CORPORATION)

## ARTICLE I

## OFFICES

**Section 1. Registered Office.** The registered office of the corporation in the State of Delaware shall be as set forth in the Certificate of Incorporation.

**Section 2. Other Offices.** The corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the corporation may require.

## ARTICLE II

## CORPORATE SEAL

**Section 3. Corporate Seal.** The Board of Directors may adopt a corporate seal. If adopted, the corporate seal shall consist of a die bearing the name of the corporation and the inscription, "Corporate Seal-Delaware." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

## ARTICLE III

## STOCKHOLDERS' MEETINGS

**Section 4. Place of Meetings.** Meetings of the stockholders of the corporation may be held at such place, either within or without the State of Delaware, as may be determined from time to time by the Board of Directors. The Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as provided under the General Corporation Law of the State of Delaware ("***DGCL***").

**Section 5. Annual Meeting**

**(a)** The annual meeting of the stockholders of the corporation, for the purpose of election of directors and for such other business as may properly come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors. Nominations of persons for election to the Board of Directors of the corporation and proposals of business to be considered by the stockholders may be made at an annual meeting of stockholders: (i) pursuant to the corporation's notice of meeting of stockholders; (ii) brought specifically by or at the direction of the Board of Directors or a duly authorized committee thereof; or (iii) by any stockholder of the corporation who was a stockholder of record at the time of giving the stockholder's notice provided for in Section 5(b) below, who is entitled to vote at the meeting and who complied with the notice procedures set forth

in Section 5. For the avoidance of doubt, clause (iii) above shall be the exclusive means for a stockholder to make nominations and submit other business (other than matters properly included in the corporation's notice of meeting of stockholders and proxy statement under Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "***1934 Act***"), and the rules and regulations thereunder before an annual meeting of stockholders).

**(b)** At an annual meeting of the stockholders, only such business shall be conducted as is a proper matter for stockholder action under Delaware law and as shall have been properly brought before the meeting in accordance with the procedures below.

**(i)** For nominations for the election to the Board of Directors to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 5(a), the stockholder must deliver written notice to the Secretary at the principal executive offices of the corporation on a timely basis as set forth in Section 5(b)(iii) and must update and supplement such written notice on a timely basis as set forth in Section 5(c). Such stockholder's notice shall set forth: (A) as to each nominee such stockholder proposes to nominate at the meeting: (1) the name, age, business address and residence address of such nominee; (2) the principal occupation or employment of such nominee; (3) the class or series and number of shares of each class or series of capital stock of the corporation that are owned beneficially and of record by such nominee; (4) the date or dates on which such shares were acquired and the investment intent of such acquisition; and (5) such other information concerning such nominee as would be required to be disclosed in a proxy statement soliciting proxies for the election of such nominee as a director in an election contest (even if an election contest is not involved), or that is otherwise required to be disclosed pursuant to Section 14 of the 1934 Act and the rules and regulations promulgated thereunder (including such person's written consent to being named in the corporation's proxy statement and associated proxy card as a nominee of the stockholder and to serving as a director if elected); and (B) the information required by Section 5(b)(iv). The corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve (i) as an independent director (as such term is used in any applicable stock exchange listing requirements or applicable law) of the corporation or (ii) on any committee or sub-committee of the Board of Directors under any applicable stock exchange listing requirements or applicable law, and that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such proposed nominee.

**(ii)** Other than proposals sought to be included in the corporation's proxy materials pursuant to Rule 14a-8 under the 1934 Act, for business other than nominations for the election to the Board of Directors to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 5(a), the stockholder must deliver written notice to the Secretary at the principal executive offices of the corporation on a timely basis as set forth in Section 5(b)(iii), and must update and supplement such written notice on a timely basis as set forth in Section 5(c). Such stockholder's notice shall set forth: (A) as to each matter such stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these Bylaws, the language of the proposed amendment), the reasons for conducting such business at the meeting, and any material interest (including any anticipated benefit of such business to any Proponent (as defined below) other than solely as a result of its ownership of the corporation's capital stock, that is material to any Proponent individually, or to the Proponents in the aggregate) in such business of any Proponent; and (B) the information required by Section 5(b)(iv).

**(iii)** To be timely, the written notice required by Section 5(b)(i) or 5(b)(ii) must be received by the Secretary at the principal executive offices of the corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting [(which date shall, for purposes of the corporation's first annual meeting of stockholders after its shares of Class A Common Stock are first publicly traded, be deemed to have occurred on [__]);][1] *provided, however,* that, subject to the last sentence of this Section 5(b)(iii), in the event that the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so received (A) not earlier than the close of business on the 120th day prior to such annual meeting and (B) not later than the close of business on the later of the 90th day prior to such annual meeting or, if later than the 90th day prior to such annual meeting, the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall an adjournment of an annual meeting for which notice has been given, or the public announcement thereof has been made, commence a new time period for the giving of a stockholder's notice as described above.

**(iv)** The written notice required by Section 5(b)(i) or 5(b)(ii) shall also set forth, as of the date of the notice and as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (each, a "***Proponent***" and collectively, the "***Proponents***"): (A) the name and address of each Proponent, as they appear on the corporation's books; (B) the class or series and number of shares of each class of capital stock of the corporation that are owned of record and beneficially by each Proponent; (C) a description of any agreement, arrangement or understanding (whether oral or in writing) with respect to such nomination or proposal between or among any Proponent and any of its affiliates or associates, and any others (including their names) acting in concert, or otherwise under the agreement, arrangement or understanding, with any of the foregoing; (D) a representation that the Proponents are holders of record or beneficial owners, as the case may be, of shares of the corporation entitled to vote at the meeting and intend to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice (with respect to a notice under Section 5(b)(i)) or to propose the business that is specified in the notice (with respect to a notice under Section 5(b)(ii)); (E) a representation as to whether the Proponents intend to deliver a proxy statement and form of proxy to holders of a sufficient number of holders of the corporation's voting shares to elect such nominee or nominees (with respect to a notice under Section 5(b)(i)) or to carry such proposal (with respect to a notice under Section 5(b)(ii)); (F) to the extent known by any Proponent, the name and address of any other stockholder supporting the proposal on the date of such stockholder's notice; and (G) a description of all Derivative Transactions (as defined below) by each Proponent during the previous 12-month period, including the date of the transactions and the class, series and number of securities involved in, and the material economic terms of, such Derivative Transactions.

**(c)** A stockholder providing the written notice required by Section 5(b)(i) or 5(b)(ii) shall update and supplement such notice in writing, if necessary, so that the information provided or required to be provided in such notice is true and correct in all material respects as of (i) the record date for the meeting and (ii) the date that is five Business Days (as defined below) prior to the meeting and, in the event of any adjournment thereof, five Business Days prior to such adjourned meeting. In the case of an update and supplement pursuant to clause (i) of this Section 5(c), such update and supplement shall be received by the Secretary at the principal executive offices of the corporation not later than five Business Days after the record date for the meeting. In the case of an update and supplement pursuant to clause (ii) of this Section 5(c), such update and supplement shall be received by the Secretary at the principal

[1] NTD: To be updated.

executive offices of the corporation not later than two Business Days prior to the date for the meeting, and, in the event of any adjournment thereof, two Business Days prior to such adjourned meeting.

**(d)** A person shall not be eligible for election or re-election as a director unless the person is nominated either in accordance with clause (ii) or clause (iii) of Section 5(a). Except as otherwise required by law, the Chairperson of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, or the Proponent does not act in accordance with the representations in Sections 5(b)(iv)(D) and 5(b)(iv)(E), to declare that such proposal or nomination shall not be presented for stockholder action at the meeting and shall be disregarded, notwithstanding that proxies in respect of such nomination or such business may have been solicited or received.

**(e)** Notwithstanding the foregoing provisions of this Section 5, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholders' meeting, a stockholder must also comply with all applicable requirements of the 1934 Act and the rules and regulations thereunder. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the 1934 Act; *provided, however,* that any references in these Bylaws to the 1934 Act or the rules and regulations thereunder are not intended to and shall not limit the requirements applicable to proposals and/or nominations to be considered pursuant to Section 5(a).

**(f)** Notwithstanding anything herein to the contrary, in the event that the number of directors to be elected to the Board of Directors of the corporation at the annual meeting is increased effective after the time period for which nominations would otherwise be due under Section 5(b)(iii) and there is no public announcement by the corporation naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 5 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the corporation.

**(g)** For purposes of Sections 5 and 6,

**(i)** "***affiliates***" and "***associates***" shall have the meanings set forth in Rule 405 under the Securities Act of 1933, as amended (the "***1933 Act***");

**(ii)** "***Business Day***" means any day other than Saturday, Sunday or a day on which banks are closed in New York City, New York.

**(iii)** "***Derivative Transaction***" means any agreement, arrangement, interest or understanding entered into by, or on behalf or for the benefit of, any Proponent or any of its affiliates or associates, whether record or beneficial: (A) the value of which is derived in whole or in part from the value of any class or series of shares or other securities of the corporation; (B) that otherwise provides any direct or indirect opportunity to gain or share in any gain derived from a change in the value of securities of the corporation; (C) the effect or intent of which is to mitigate loss, manage risk or benefit of security value or price changes; or (D) that provides the right to vote or increase or decrease the voting power of, such Proponent, or any of its affiliates or associates, with respect to any securities of the corporation,

which agreement, arrangement, interest or understanding may include, without limitation, any option, warrant, debt position, note, bond, convertible security, swap, stock appreciation right, short position, profit interest, hedge, right to dividends, voting agreement, performance-related fee or arrangement to borrow or lend shares (whether or not subject to payment, settlement, exercise or conversion in any such class or series), and any proportionate interest of such Proponent in the securities of the corporation held by any general or limited partnership, or any limited liability company, of which such Proponent is, directly or indirectly, a general partner or managing member; and

**(iv)** "***public announcement***" shall mean disclosure in a press release reported by the Dow Jones Newswires, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act or by such other means reasonably designed to inform the public or security holders in general of such information including, without limitation, posting on the corporation's investor relations website.

**Section 6. Special Meetings.**

**(a)** Special meetings of the stockholders of the corporation may be called, for any purpose as is a proper matter for stockholder action under Delaware law, by (i) the Chairperson of the Board of Directors, (ii) the Chief Executive Officer, or (iii) the Board of Directors pursuant to a resolution adopted by the Board of Directors.

**(b)** For a special meeting called pursuant to Section 6(a), the person(s) calling the meeting shall determine the time and place, if any, of the meeting; provided, however, that only the Board of Directors or a duly authorized committee thereof may authorize a meeting solely by means of remote communication. Upon determination of the time and place, if any, of the meeting, the Secretary shall cause a notice of meeting to be given to the stockholders entitled to vote, in accordance with the provisions of Section 7. No business may be transacted at a special meeting otherwise than as specified in the notice of meeting.

**(c)** Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected (i) by or at the direction of the Board of Directors or a duly authorized committee thereof or (ii) by any stockholder of the corporation who is a stockholder of record at the time of giving notice provided for in this paragraph, who is entitled to vote at the meeting and who delivers written notice to the Secretary of the corporation setting forth the information required by Section 5(b)(i) and the information required by Section 5(b)(iv). In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder of record may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation's notice of meeting, if written notice setting forth the information required by Section 5(b)(i) and the information required by Section 5(b)(iv) shall be received by the Secretary at the principal executive offices of the corporation not later than the close of business on the later of the 90$^{th}$ day prior to such meeting or the 10$^{th}$ day following the day on which the corporation first makes a public announcement of the date of the special meeting at which directors are to be elected. The stockholder shall also update and supplement such information as required under Section 5(c). In no event shall an adjournment of a special meeting for which notice has been given, or the public announcement thereof has been made, commence a new time period for the giving of a stockholder's notice as described above.

**(d)** A person shall not be eligible for election or re-election as a director unless the person is nominated either in accordance with clause (ii) or clause (iii) of Section 5(a). Except as otherwise required by law, the Chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in these Bylaws and, if any nomination or business is not in compliance with these Bylaws, to declare that such nomination shall not be presented for stockholder action at the meeting and shall be disregarded, notwithstanding that proxies in respect of such nomination may have been solicited or received.

**(e)** Notwithstanding the foregoing provisions of this Section 6, a stockholder must also comply with all applicable requirements of the 1934 Act and the rules and regulations thereunder with respect to matters set forth in this Section 6. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the 1934 Act; *provided, however,* that any references in these Bylaws to the 1934 Act or the rules and regulations thereunder are not intended to and shall not limit the requirements applicable to nominations for the election to the Board of Directors or proposals of other businesses to be considered pursuant to Section 6(c).

**Section 7. Notice of Meetings.** Except as otherwise provided by law, notice, given in writing or by electronic transmission, of each meeting of stockholders shall be given not fewer than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, if any, date and hour, in the case of special meetings, the purpose or purposes of the meeting, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at any such meeting. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the corporation. If sent via electronic transmission, notice is given when directed to such stockholder's electronic mail address. Notice of the time, place, if any, and purpose of any meeting of stockholders (to the extent required) may be waived in writing, signed by the person entitled to notice thereof or by electronic transmission by such person, either before or after such meeting, and will be waived by any stockholder by his or her attendance thereat in person, by remote communication, if applicable, or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

**Section 8. Quorum.** At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person, by remote communication, if applicable, or by proxy duly authorized, of the holders of a majority of the voting power of the outstanding shares of stock entitled to vote at the meeting shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the Chairperson of the meeting or by vote of the holders of a majority of the voting power of the shares represented thereat and entitled to vote thereon, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by statute or by applicable stock exchange rules, or by the Certificate of Incorporation or these Bylaws, in all matters other than the election of directors, the affirmative vote of the holders of a majority of the voting power of the shares present in person, by remote communication, if applicable, or represented by proxy duly authorized at the meeting and entitled to vote generally on the subject matter shall be the act of the stockholders. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws,

directors shall be elected by a plurality of the votes of the shares present in person, by remote communication, if applicable, or represented by proxy duly authorized at the meeting and entitled to vote generally on the election of directors. Where a separate vote by a class or classes or series is required, except where otherwise provided by statute, by applicable stock exchange rules or by the Certificate of Incorporation or these Bylaws, a majority of the voting power of the outstanding shares of such class or classes or series, present in person, by remote communication, if applicable, or represented by proxy duly authorized, shall constitute a quorum entitled to take action with respect to that vote on that matter. Except where otherwise provided by statute, by applicable stock exchange rules or by the Certificate of Incorporation or these Bylaws, the affirmative vote of the holders of a majority (plurality, in the case of the election of directors) of voting power of such class or classes or series present in person, by remote communication, if applicable, or represented by proxy at the meeting shall be the act of such class or classes or series.

**Section 9. Adjournment and Notice of Adjourned Meetings.** Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the person(s) who called the meeting or the Chairperson of the meeting, or by the vote of the holders of a majority of the voting power of the shares present in person, by remote communication, if applicable, or represented by proxy duly authorized at the meeting and entitled to vote thereon. When a meeting is adjourned to another time or place, if any, notice need not be given of the adjourned meeting if the time and place, if any, thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting.

**Section 10. Voting Rights.** For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date shall be entitled to vote at any meeting of stockholders. Every person entitled to vote shall have the right to do so either in person, by remote communication, if applicable, or by an agent or agents authorized by a proxy granted in accordance with Delaware law. An agent so appointed need not be a stockholder. No proxy shall be voted after three years from its date of creation unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary of the corporation a revocation of the proxy or a new proxy bearing a later date. Voting at meetings of stockholders need not be by written ballot.

**Section 11. Joint Owners of Stock.** If shares or other securities having voting power stand of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one votes, his or her act binds all; (b) if more than one votes, the act of the majority so voting

binds all; (c) if more than one votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in DGCL Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of subsection (c) shall be a majority or even-split in interest.

**Section 12. List of Stockholders.** The corporation shall prepare, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number and class of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (b) during ordinary business hours, at the principal place of business of the corporation. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. The list shall be open to examination of any stockholder during the time of the meeting as provided by law.

**Section 13. Action without Meeting.** Any action required or permitted to be taken at any annual or special meeting of stockholders of the corporation may be taken without a meeting, without prior notice and without a vote only to the extent permitted by and in the manner provided in the Certificate of Incorporation and in accordance with applicable law.

**Section 14. Organization.**

**(a)** At every meeting of stockholders, the Chairperson of the Board of Directors, or, if a Chairperson has not been appointed, is absent or refuses to act, the Chief Executive Officer, or, if no Chief Executive Officer is then serving, is absent or refuses to act, the President, or, if the President is absent or refuses to act, a Chairperson of the meeting designated by the Board of Directors, or, if the Board of Directors does not designate such Chairperson, a Chairperson chosen by a majority of the voting power of the stockholders entitled to vote, present in person or by proxy duly authorized, shall act as Chairperson. The Chairperson of the Board may appoint the Chief Executive Officer as Chairperson of the meeting. The Secretary, or, in his or her absence, an Assistant Secretary directed to do so by the Chairperson of the meeting, shall act as secretary of the meeting.

**(b)** The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the Chairperson of the meeting shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such Chairperson, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the Chairperson shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

Unless and to the extent determined by the Board of Directors or the Chairperson of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

## ARTICLE IV

## DIRECTORS

**Section 15. Number and Term of Office.** The authorized number of directors of the corporation shall be fixed in accordance with the Certificate of Incorporation. Directors need not be stockholders.

**Section 16. Powers.** Except as otherwise provided in the Certificate of Incorporation or the DGCL, the business and affairs of the corporation shall be managed by or under the direction of the Board of Directors.

**Section 17. Classes of Directors.** The directors shall be divided into classes as and to the extent provided in the Certificate of Incorporation, except as otherwise required by applicable law.

**Section 18. Vacancies.** Vacancies on the Board of Directors shall be filled as provided in the Certificate of Incorporation, except as otherwise required by applicable law.

**Section 19. Resignation.** Any director may resign at any time by delivering his or her notice in writing or by electronic transmission to the Secretary, such resignation to specify whether it will be effective at a particular time. If no such specification is made, the resignation shall be effective at the time of delivery of the resignation to the Secretary.

**Section 20. Removal.** Subject to the rights of holders of any series of Preferred Stock to elect additional directors under specified circumstances, neither the Board of Directors nor any individual director may be removed except in the manner specified in Section 141 of the DGCL.

**Section 21. Meetings.**

**(a) Regular Meetings.** Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may be held at any time or date and at any place within or without the State of Delaware which has been designated by the Board of Directors and publicized among all directors, either orally or in writing, by telephone, including a voice-messaging system or other system designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means. No further notice shall be required for regular meetings of the Board of Directors.

**(b) Special Meetings.** Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairperson of the Board, the Chief Executive Officer or the Board of Directors.

**(c) Meetings by Electronic Communications Equipment.** Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or other communications equipment by means of which all persons participating in the meeting

can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

**(d) Notice of Special Meetings.** Notice of the time and place of all special meetings of the Board of Directors shall be given orally or in writing, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means, during normal business hours, at least twenty-four (24) hours before the date and time of the meeting. If notice is sent by U.S. mail, it shall be sent by first class mail, postage prepaid at least three days before the date of the meeting. Notice of any special meeting may be waived in writing or by electronic transmission at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

**(e) Waiver of Notice.** The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though it had been transacted at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present who did not receive notice shall sign a written waiver of notice or shall waive notice by electronic transmission. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of any meeting will be waived by any director by attendance thereat, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

**Section 22. Quorum and Voting.**

**(a)** Unless the Certificate of Incorporation requires a greater number, a quorum of the Board of Directors shall consist of a majority of the directors currently serving on the Board of Directors in accordance with the Certificate of Incorporation (but in no event less than one third of the total authorized number of directors); *provided, however,* at any meeting whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

**(b)** At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws.

**Section 23. Action without Meeting.** Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission. The consent or consents shall be filed with the minutes of proceedings of the Board of Directors or committee.

**Section 24. Fees and Compensation.** Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors or a committee thereof to which the Board of Directors has delegated such responsibility and authority, including, if so approved, by resolution of the Board of Directors or a committee thereof to which the Board of Directors has delegated such responsibility and authority, a fixed sum and expenses of attendance, if any, for attendance at each regular

or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor.

**Section 25. Committees.**

**(a) Executive Committee.** The Board of Directors may appoint an Executive Committee to consist of one or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopting, amending or repealing any Bylaw of the corporation.

**(b) Other Committees.** The Board of Directors may, from time to time, appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.

**(c) Term.** The Board of Directors, subject to any requirements of any outstanding series of Preferred Stock and the provisions of subsections (a) or (b) of this Section 25, may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his or her death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

**(d) Meetings.** Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 25 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any director who is a member of such committee, upon notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any regular or special meeting of any committee may be waived in writing or by electronic transmission at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends such regular or special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Unless otherwise provided by the Board of Directors in the resolutions authorizing the creation of the committee, a majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

**Section 26. Duties of Chairperson of the Board of Directors.** The Chairperson of the Board of Directors, if appointed and when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairperson of the Board of Directors shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time.

**Section 27. Lead Independent Director**. The Chairperson of the Board of Directors, or if the Chairperson is not an independent director, one of the independent directors, may be designated by the Board of Directors as lead independent director to serve until replaced by the Board of Directors ("***Lead Independent Director***"). If appointed, the Lead Independent Director will: with the Chairperson of the Board of Directors, establish the agenda for regular Board meetings and serve as chairperson of Board of Directors meetings in the absence of the Chairperson of the Board of Directors; establish the agenda for meetings of the independent directors; coordinate with the committee chairs regarding meeting agendas and informational requirements; preside over meetings of the independent directors; preside over any portions of meetings of the Board of Directors at which the evaluation or compensation of the Chief Executive Officer is presented or discussed; preside over any portions of meetings of the Board of Directors at which the performance of the Board of Directors is presented or discussed; and perform such other duties as may be established or delegated by the Chairperson of the Board of Directors.

**Section 28. Organization.** At every meeting of the directors, the Chairperson of the Board of Directors, or, if a Chairperson has not been appointed or is absent, the Chief Executive Officer (if a director), or, if a Chief Executive Officer is absent, the President (if a director), or if the President is absent, the most senior Vice President (if a director), or, in the absence of any such person, a Chairperson of the meeting chosen by a majority of the directors present, shall preside over the meeting. The Secretary, or in his absence, any Assistant Secretary or other officer, director or other person directed to do so by the person presiding over the meeting, shall act as secretary of the meeting.

## ARTICLE V

## OFFICERS

**Section 29. Officers Designated.** The officers of the corporation shall include, if and when designated by the Board of Directors, the Chief Executive Officer, the President, one or more Vice Presidents, the Secretary, the Chief Financial Officer and the Treasurer. The Board of Directors may also appoint one or more Assistant Secretaries and Assistant Treasurers and such other officers and agents with such powers and duties as it shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors or a committee thereof to which the Board of Directors has delegated such responsibility.

**Section 30. Tenure and Duties of Officers.**

**(a) General.** All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

**(b) Duties of Chief Executive Officer.** The Chief Executive Officer shall preside at all meetings of the stockholders and at all meetings of the Board of Directors (if a director), unless the Chairperson of the Board of Directors has been appointed and is present. Unless an officer has been appointed Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. To the extent that a Chief Executive Officer has been appointed and no President has been appointed, all references in these Bylaws to the President shall be deemed references to the Chief Executive Officer. The Chief Executive Officer shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time.

**(c) Duties of President.** The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors (if a director), unless the Chairperson of the Board of Directors, or the Chief Executive Officer has been appointed and is present. Unless another officer has been appointed Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. The President shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers, as the Board of Directors (or the Chief Executive Officer, if the Chief Executive Officer and President are not the same person and the Board of Directors has delegated the designation of the President's duties to the Chief Executive Officer) shall designate from time to time.

**(d) Duties of Vice Presidents.** A Vice President may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant (unless the duties of the President are being filled by the Chief Executive Officer). A Vice President shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or, if the Chief Executive Officer has not been appointed or is absent, the President shall designate from time to time.

**(e) Duties of Secretary.** The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties provided for in these Bylaws and other duties commonly incident to the office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time. The Chief Executive Officer, or if no Chief Executive Officer is then serving, the President may direct any Assistant Secretary or other officer to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President shall designate from time to time.

**(f) Duties of Chief Financial Officer.** The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President shall designate from time to time. To the extent that a Chief Financial Officer has been appointed and no Treasurer has been appointed, all references in these Bylaws to the Treasurer shall be deemed references to the Chief Financial Officer. The President may direct the Treasurer, if any, or any Assistant Treasurer, or the controller or any assistant controller to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Treasurer and Assistant Treasurer and each controller and assistant controller shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President shall designate from time to time.

**(g) Duties of Treasurer.** Unless another officer has been appointed Chief Financial Officer of the corporation, the Treasurer shall be the chief financial officer of the corporation and shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President, and, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Treasurer shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President and Chief Financial Officer (if not Treasurer) shall designate from time to time.

**Section 31. Delegation of Authority.** The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

**Section 32. Resignations.** Any officer may resign at any time by giving notice in writing or by electronic transmission to the Board of Directors or to the Chief Executive Officer, or if no Chief Executive Officer is then serving, to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer.

**Section 33. Removal.** Any officer may be removed from office at any time, either with or without cause, by the Board of Directors, or by any committee or superior officer upon whom such power of removal may have been conferred by the Board of Directors.

## ARTICLE VI

## EXECUTION OF CORPORATE INSTRUMENTS AND VOTING OF SECURITIES OWNED BY THE CORPORATION

**Section 34. Execution of Corporate Instruments.** The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by applicable law or these Bylaws, and such execution or signature shall be binding upon the corporation. All checks and drafts drawn on banks or other depositaries on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do. Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

**Section 35. Voting of Securities Owned by the Corporation.** All stock and other securities and interests of other corporations and entities owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairperson of the Board of Directors, the Chief Executive Officer, the President, or any Vice President.

## ARTICLE VII

## SHARES OF STOCK

**Section 36. Form and Execution of Certificates.** The shares of the corporation shall be represented by certificates, or shall be uncertificated if so provided by resolution or resolutions of the Board of Directors. Certificates for the shares of stock, if any, shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation represented by certificates shall be entitled to have a certificate signed by, or in the name of, the corporation by any two authorized officers of the corporation, certifying the number of shares owned by such holder in the corporation. Any or all of the signatures on the certificate may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

**Section 37. Lost Certificates.** A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or destroyed certificate or certificates, or the owner's legal representative, to agree to indemnify the corporation in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed.

**Section 38. Transfers.**

**(a)** Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and, in the case of stock represented by certificate, upon the surrender of a properly endorsed certificate or certificates for a like number of shares.

**(b)** The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

**Section 39. Fixing Record Dates.**

**(a)** In order that the corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, subject to applicable law, not be more than 60 nor fewer than ten days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however,* that the Board of Directors may fix a new record date for the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

**(b)** In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

**Section 40. Registered Stockholders.** The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

## ARTICLE VIII

## OTHER SECURITIES OF THE CORPORATION

**Section 41. Execution of Other Securities.** All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 36), may be signed by any executive officer (as defined in Article XI) or any other officer or person as may be authorized by the Board of Directors; *provided, however,* that where any such bond, debenture or other corporate security shall be authenticated by the manual signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by an executive officer of the corporation or such other officer or person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

## ARTICLE IX

## DIVIDENDS

**Section 42. Declaration of Dividends.** Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation and applicable law, if any, may be declared by the Board of Directors. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock, subject to the provisions of the Certificate of Incorporation and applicable law.

**Section 43. Dividend Reserve.** Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, thinks proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

## ARTICLE X

## FISCAL YEAR

**Section 44. Fiscal Year.** The fiscal year of the corporation shall end on December 31 or on such other date as may otherwise be fixed by resolution of the Board of Directors.

## ARTICLE XI

## INDEMNIFICATION

**Section 45. Indemnification of Directors, Executive Officers, Employees and Other Agents.**

**(a) Directors and Executive Officers.** The corporation shall indemnify its directors and executive officers (for the purposes of this Article XI, "***executive officers***" shall have the meaning defined in Rule 3b-7 promulgated under the 1934 Act) to the fullest extent permitted by the DGCL or any other applicable law as it presently exists or may hereafter be amended, who was or is made or is threatened to be made a party or is otherwise involved in proceeding, by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the corporation, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by person; *provided, however,* that the corporation may modify the extent of such indemnification by individual contracts with its directors and executive officers, in which case such contract shall supersede and replace the provisions hereof; and, *provided, further,* that the corporation shall not be required to indemnify any director or executive officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation, (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the DGCL or any other applicable law or (iv) such indemnification is required to be made under subsection (d) of this Section 45.

**(b) Other Officers, Employees and Other Agents.** The corporation shall have the power to indemnify (including the power to advance expenses in a manner consistent with subsection (c) of this Section 45) its other officers, employees and other agents as set forth in the DGCL or any other applicable law. The Board of Directors shall have the power to delegate the determination of whether indemnification shall be given to any such person except executive officers to such officers or other persons as the Board of Directors shall determine.

**(c) Expenses.** The corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or executive officer of the corporation, or is or was serving at the request of the corporation as a director or executive officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director or executive officer in connection with such proceeding provided, however, that if the DGCL requires, an advancement of expenses incurred by a director or executive officer in his or her capacity as a director or executive officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the corporation of an undertaking (hereinafter an "***undertaking***"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "***final adjudication***") that such indemnitee is not entitled to be indemnified for such expenses under this section or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (d) of this Section 45, no advance shall be made by the corporation to an executive officer of the corporation (except by reason of the fact that such executive officer is or was a director of the corporation in which event this

paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by a majority vote of directors who were not parties to the proceeding, even if not a quorum, or (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or such directors so direct, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

**(d) Enforcement.** Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and executive officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the director or executive officer. Any right to indemnification or advances granted by this section to a director or executive officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within 90 days of request therefor. To the extent permitted by law, the claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting the claim to the fullest extent permitted by law. In connection with any claim for indemnification, the corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the DGCL or any other applicable law for the corporation to indemnify the claimant for the amount claimed. In connection with any claim by an executive officer of the corporation (except in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such executive officer is or was a director of the corporation) for advances, the corporation shall be entitled to raise a defense as to any such action clear and convincing evidence that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation, or with respect to any criminal action or proceeding that such person acted without reasonable cause to believe that his or her conduct was lawful. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the DGCL or any other applicable law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by a director or executive officer to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the director or executive officer is not entitled to be indemnified, or to such advancement of expenses, under this section or otherwise shall be on the corporation.

**(e) Non-Exclusivity of Rights.** The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any applicable statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the DGCL, or by any other applicable law.

**(f)** **Survival of Rights.** The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director or executive officer or officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

**(g)** **Insurance.** To the fullest extent permitted by the DGCL or any other applicable law, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this section.

**(h)** **Amendments.** Any repeal or modification of this section shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

**(i)** **Saving Clause.** If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and executive officer to the full extent not prohibited by any applicable portion of this section that shall not have been invalidated, or by any other applicable law. If this section shall be invalid due to the application of the indemnification provisions of another jurisdiction, then the corporation shall indemnify each director and executive officer to the full extent under any other applicable law.

**(j)** **Certain Definitions.** For the purposes of this Bylaw, the following definitions shall apply:

**(i)** The term "***proceeding***" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

**(ii)** The term "***expenses***" shall be broadly construed and shall include, without limitation, court costs, attorneys' fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

**(iii)** The term the "***corporation***" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this section with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

**(iv)** References to a "***director***," "***executive officer***," "***officer***," "***employee***," or "***agent***" of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as, respectively, a director, executive officer, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

**(v)** References to "***other enterprises***" shall include employee benefit plans; references to "***fines***" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "***serving at the request of the corporation***" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by,

such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "***not opposed to the best interests of the corporation***" as referred to in this section.

## ARTICLE XII

## NOTICES

**Section 46. Notices.**

**(a) Notice to Stockholders.** Notice to stockholders of stockholder meetings shall be given as provided in Section 7 herein. Without limiting the manner by which notice may otherwise be given effectively to stockholders under any agreement or contract with such stockholder, and except as otherwise required by law, written notice to stockholders for purposes other than stockholder meetings may be sent by U.S. mail or nationally recognized overnight courier, or by facsimile, telegraph or telex or by electronic mail or other electronic means.

**(b) Notice to Directors.** Any notice required to be given to any director may be given by the method stated in subsection (a) or as otherwise provided in these Bylaws, with notice other than one which is delivered personally to be sent to such address as such director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known address of such director.

**(c) Affidavit of Mailing.** An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected or other agent, specifying the name and address or the names and addresses of the stockholder or stockholders, or director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall in the absence of fraud, be prima facie evidence of the facts therein contained.

**(d) Methods of Notice.** It shall not be necessary that the same method of giving notice be employed in respect of all recipients of notice, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

**(e) Notice to Person with Whom Communication is Unlawful.** Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

**(f) Notice to Stockholders Sharing an Address.** Except as otherwise prohibited under the DGCL, any notice given under the provisions of the DGCL, the Certificate of Incorporation or the Bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Such consent shall have

been deemed to have been given if such stockholder fails to object in writing to the corporation within 60 days of having been given notice by the corporation of its intention to send the single notice. Any consent shall be revocable by the stockholder by written notice to the corporation.

## ARTICLE XIII

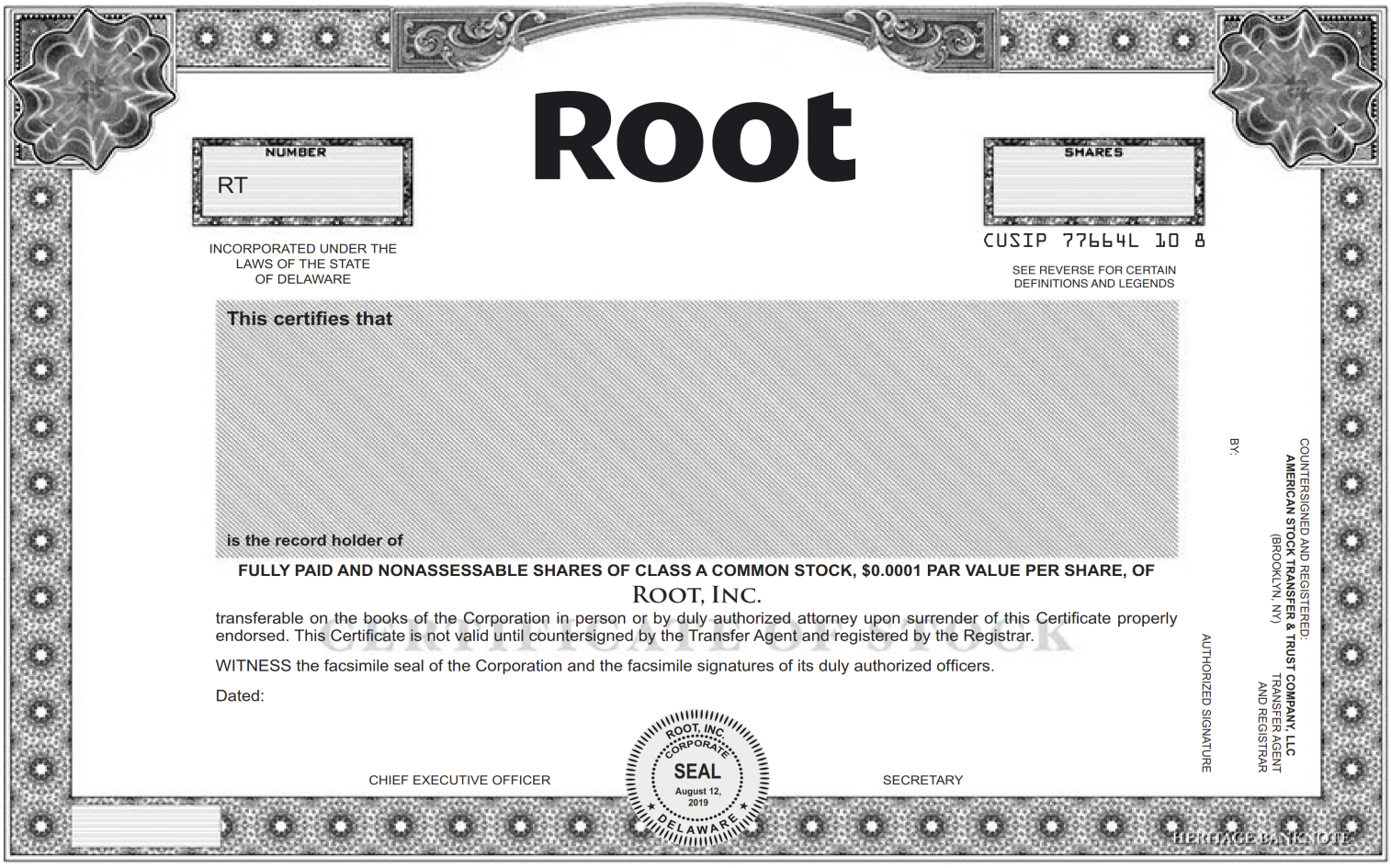
## AMENDMENTS

**Section 47. Amendments.** Subject to the limitations set forth in Section 45(h) of these Bylaws or the provisions of the Certificate of Incorporation, the Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the corporation. The stockholders also shall have power to adopt, amend or repeal the Bylaws of the corporation; provided, however, that, in addition to any vote of the holders of any class or series of stock of the corporation required by law or by the Certificate of Incorporation, such action by stockholders shall require the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of the capital stock of the corporation entitled to vote generally in the election of directors, voting together as a single class.

## ARTICLE XIV

## LOANS TO OFFICERS

**Section 48. Loans to Officers.** Except as otherwise prohibited by applicable law, the corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in these Bylaws shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.



# Root

NUMBER

RT

SHARES

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

CUSIP 77664L 10 8

SEE REVERSE FOR CERTAIN DEFINITIONS AND LEGENDS

**This certifies that**

**is the record holder of**

**FULLY PAID AND NONASSESSABLE SHARES OF CLASS A COMMON STOCK, $0.0001 PAR VALUE PER SHARE, OF**

ROOT, INC.

transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

ROOT, INC. CORPORATE SEAL August 12, 2019 DELAWARE

CHIEF EXECUTIVE OFFICER

SECRETARY

COUNTERSIGNED AND REGISTERED:
**AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC**
(BROOKLYN, NY)
TRANSFER AGENT AND REGISTRAR

BY:

AUTHORIZED SIGNATURE

HERITAGE BANKNOTE

The Corporation shall furnish without charge to each stockholder who so requests a statement of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock of the Corporation or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Such requests shall be made to the Corporation's Secretary at the principal office of the Corporation.

KEEP THIS CERTIFICATE IN A SAFE PLACE. IF IT IS LOST, STOLEN,OR DESTROYED THE CORPORATION WILL REQUIRE A BOND INDEMNITY AS A CONDITION TO THE ISSUANCE OF A REPLACEMENT CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

| | | |
|---|---|---|
| TEN COM | – | as tenants in common |
| TEN ENT | – | as tenants by the entireties |
| JT TEN | – | as joint tenants with right of survivorship and not as tenants in common |
| COM PROP | – | as community property |

UNIF GIFT MIN ACT – ..... Custodian .....
(Cust) (Minor)
under Uniform Gifts to Minors Act.....
(State)

UNIF TRF MIN ACT – ..... Custodian (until age .....)
(Cust)
..... under Uniform Transfers
(Minor)
to Minors Act.....
(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, _____ hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

| |
|---|
| |

_____
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

_____

_____

_____ shares of the capital stock represented by within Certificate, and do hereby irrevocably constitute and appoint

_____ attorney-in-fact to transfer the said stock on the books of the within named Corporation with full power of the substitution in the premises.

Dated _____

X _____

X _____

Signature(s) Guaranteed:

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER.

By _____

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION, (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15. GUARANTEES BY A NOTARY PUBLIC ARE NOT ACCEPTABLE. SIGNATURE GUARANTEES MUST NOT BE DATED.

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN SECTIONS 5.3 AND 5.4 BELOW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

**WARRANT TO PURCHASE STOCK**

**Company: IBOD COMPANY, INC.**

**Number of Shares: 9,796**

**Type/Series of Stock: Series B Preferred**

**Warrant Price: $8.1141 per share**

**Issue Date: December 20, 2017**

**Expiration Date: December 20, 2017** **See also Section 5.1(b).**

**Credit Facility:** This Warrant to Purchase Stock ("**Warrant**") is issued in connection with that certain Second Amendment to Loan and Security Agreement of even date herewith between Silicon Valley Bank and the Company (the "**Loan Agreement**").

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, SILICON VALLEY BANK (together with any successor or permitted assignee or transferee of this Warrant or of any shares issued upon exercise hereof, "**Holder**") is entitled to purchase the number of fully paid and non-assessable shares (the "**Shares**") of the above-stated Type/Series of Stock (the "**Class**") of the above-named company (the "**Company**") at the above-stated Warrant Price, all as set forth above and as adjusted pursuant to Section 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant. Reference is made to Section 5.4 of this Warrant whereby Silicon Valley Bank shall transfer this Warrant to its parent company, SVB Financial Group.

SECTION 1. EXERCISE.

1. 1 Method of Exercise. Holder may at any time and from time to time exercise this Warrant, in whole or in part, by delivering to the Company the original of this Warrant together with a duly executed Notice of Exercise in substantially the form attached hereto as Appendix 1 and, unless Holder is exercising this Warrant pursuant to a cashless exercise set forth in Section 1.2, a check, wire transfer of same-day funds (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1. 2 Cashless Exercise. On any exercise of this Warrant, in lieu of payment of the aggregate Warrant Price in the manner as specified in Section 1.1 above, but otherwise in accordance with the requirements of Section 1.1, Holder may elect to receive Shares equal to the value of this Warrant, or portion hereof as to which this Warrant is being exercised. Thereupon, the Company shall issue to the Holder such number of fully paid and non-assessable Shares as are computed using the following formula:

$$X = Y(A-B)/A$$

where:

X = the number of Shares to be issued to the Holder;

Y = the number of Shares with respect to which this Warrant is being exercised (inclusive of the Shares surrendered to the Company in payment of the aggregate Warrant Price);

A = the Fair Market Value (as determined pursuant to Section 1.3 below) of one Share; and

B = the Warrant Price.

1. 3 Fair Market Value. If the Company's common stock is then traded or quoted on a nationally recognized securities exchange, inter-dealer quotation system or over-the-counter market (a "**Trading Market**") and the Class is common stock, the fair market value of a Share shall be the closing price or last sale price of a share of common stock reported for the Business Day immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company. If the Company's common stock is then traded in a Trading Market and the Class is a series of the Company's convertible preferred stock, the fair market value of a Share shall be the closing price or last sale price of a share of the Company's common stock reported for the Business Day immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company multiplied by the number of shares of the Company's common stock into which a Share is then convertible. If the Company's common stock is not traded in a Trading Market, the Board of Directors of the Company shall determine the fair market value of a Share in its reasonable good faith judgment.

1. 4 Delivery of Certificate and New Warrant. Within a reasonable time after Holder exercises this Warrant in the manner set forth in Section 1.1 or 1.2 above, the Company shall deliver to Holder a certificate representing the Shares issued to Holder upon such exercise and, if this Warrant has not been fully exercised and has not expired, a new warrant of like tenor representing the Shares not so acquired.

1. 5 Replacement of Warrant. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form, substance and amount to the Company or, in the case of mutilation, on surrender of this Warrant to the Company for cancellation, the Company shall, within a reasonable time, execute and deliver to Holder, in lieu of this Warrant, a new warrant of like tenor and amount.

1. 6 Treatment of Warrant Upon Acquisition of Company.

(a) Acquisition. For the purpose of this Warrant, "**Acquisition**" means any transaction or series of related transactions involving: (i) the sale, lease, exclusive license, or other disposition of all or substantially all of the assets of the Company (ii) any merger or consolidation of the Company into or with another person or entity (other than a merger or consolidation effected exclusively to change the Company's domicile), or any other corporate reorganization, in which the stockholders of the Company in their capacity as such immediately prior to such merger, consolidation or reorganization, own less than a majority of the Company's (or the surviving or successor entity's) outstanding voting power immediately after such merger, consolidation or reorganization; or (iii) any sale or other transfer by the stockholders of the Company of shares representing at least a majority of the Company's then-total outstanding combined voting power.

(b) Treatment of Warrant at Acquisition. In the event of an Acquisition in which the consideration to be received by the Company's stockholders consists solely of cash, solely of Marketable Securities or a combination of cash and Marketable Securities (a "**Cash/Public Acquisition**"), and the fair market value of one Share as determined in accordance with Section 1.3 above would be greater than the Warrant Price in effect on such date immediately prior to such Cash/Public Acquisition, and Holder has not exercised this Warrant pursuant to Section 1.1 above as to all Shares, then this Warrant shall automatically be deemed to be Cashless Exercised pursuant to Section 1.2 above as to all Shares effective immediately prior to and contingent upon the consummation of a Cash/Public Acquisition. In connection with such Cashless Exercise, Holder shall be deemed to have restated each of the representations and warranties in Section 4 of the Warrant as the date thereof and the Company shall promptly notify the Holder of the number of Shares (or such other securities) issued upon exercise. In the event of a Cash/Public Acquisition where the fair market value of one Share as determined in accordance with Section 1.3 above would be less than the Warrant Price in effect immediately prior to such Cash/Public Acquisition, then this Warrant will expire immediately prior to the consummation of such Cash/Public Acquisition.

(c) Upon the closing of any Acquisition other than a Cash/Public Acquisition defined above, the acquiring, surviving or successor entity shall assume the obligations of this Warrant, and this Warrant shall

thereafter be exercisable for the same securities and/or other property as would have been paid for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on and as of the closing of such Acquisition, subject to further adjustment from time to time in accordance with the provisions of this Warrant.

(d) As used in this Warrant, "**Marketable Securities**" means securities meeting all of the following requirements: (i) the issuer thereof is then subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is then current in its filing of all required reports and other information under the Act and the Exchange Act; (ii) the class and series of shares or other security of the issuer that would be received by Holder in connection with the Acquisition were Holder to exercise this Warrant on or prior to the closing thereof is then traded in Trading Market, and (iii) following the closing of such Acquisition, Holder would not be restricted from publicly re-selling all of the issuer's shares and/or other securities that would be received by Holder in such Acquisition were Holder to exercise or convert this Warrant in full on or prior to the closing of such Acquisition, except to the extent that any such restriction (x) arises solely under federal or state securities laws, rules or regulations, and (y) does not extend beyond six (6) months from the closing of such Acquisition.

SECTION 2. ADJUSTMENTS TO THE SHARES AND WARRANT PRICE.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend or distribution on the outstanding shares of the Class payable in common stock or other securities or property (other than cash), then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without additional cost to Holder, the total number and kind of securities and property which Holder would have received had Holder owned the Shares of record as of the date the dividend or distribution occurred. If the Company subdivides the outstanding shares of the Class by reclassification or otherwise into a greater number of shares, the number of Shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares of the Class are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any event whereby all of the outstanding shares of the Class are reclassified, exchanged, combined, substituted, or replaced for, into, with or by Company securities of a different class and/or series, then from and after the consummation of such event, this Warrant will be exercisable for the number, class and series of Company securities that Holder would have received had the Shares been outstanding on and as of the consummation of such event, and subject to further adjustment thereafter from time to time in accordance with the provisions of this Warrant. The provisions of this Section 2.2 shall similarly apply to successive reclassifications, exchanges, combinations substitutions, replacements or other similar events.

2.3 Conversion of Preferred Stock. If the Class is a class and series of the Company's convertible preferred stock, in the event that all outstanding shares of the Class are converted, automatically or by action of the holders thereof, into common stock pursuant to the provisions of the Company's Certificate of Incorporation, including, without limitation, in connection with the Company's initial, underwritten public offering and sale of its common stock pursuant to an effective registration statement under the Act (the "**IPO**"), then from and after the date on which all outstanding shares of the Class have been so converted, this Warrant shall be exercisable for such number of shares of common stock into which the Shares would have been converted had the Shares been outstanding on the date of such conversion, and the Warrant Price shall equal the Warrant Price in effect as of immediately prior to such conversion divided by the number of shares of common stock into which one Share would have been converted, all subject to further adjustment thereafter from time to time in accordance with the provisions of this Warrant.

2.4 Adjustments for Diluting Issuances. Without duplication of any adjustment otherwise provided for in this Section 2, the number of shares of common stock issuable upon conversion of the Shares shall be subject to anti-dilution adjustment from time to time in the manner set forth in the Company's Articles or

Certificate of Incorporation as if the Shares were issued and outstanding on and as of the date of any such required adjustment.

2.5 No Fractional Share. No fractional Share shall be issuable upon exercise of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional Share interest arises upon any exercise of the Warrant, the Company shall eliminate such fractional Share interest by paying Holder in cash the amount computed by multiplying the fractional interest by (i) the fair market value (as determined in accordance with Section 1.3 above) of a full Share, less (ii) the then-effective Warrant Price.

2.6 Notice/Certificate as to Adjustments. Upon each adjustment of the Warrant Price, Class and/or number of Shares, the Company, at the Company's expense, shall notify Holder in writing within a reasonable time setting forth the adjustments to the Warrant Price, Class and/or number of Shares and facts upon which such adjustment is based. The Company shall, upon written request from Holder, furnish Holder with a certificate of its Chief Financial Officer, including computations of such adjustment and the Warrant Price, Class and number of Shares in effect upon the date of such adjustment.

SECTION 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to, and agrees with, the Holder as follows:

(a) The initial Warrant Price referenced on the first page of this Warrant is not greater than the price per share at which shares of the Class were last sold and issued prior to the Issue Date hereof in an arms-length transaction in which at least $500,000 of such shares were sold. All Shares which may be issued upon the exercise of this Warrant, and all securities, if any, issuable upon conversion of the Shares, shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws. The Company covenants that it shall at all times cause to be reserved and kept available out of its authorized and unissued capital stock such number of shares of the Class, common stock and other securities as will be sufficient to permit the exercise in full of this Warrant and the conversion of the Shares into common stock or such other securities.

(c) The Company's capitalization table attached hereto as Schedule 1 is true and complete, in all material respects, as of the Issue Date.

3.2 Notice of Certain Events. If the Company proposes at any time to:

(a) declare any dividend or distribution upon the outstanding shares of the Class or common stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend;

(b) offer for subscription or sale pro rata to the holders of the outstanding shares of the Class any additional shares of any class or series of the Company's stock (other than pursuant to contractual pre-emptive rights);

(c) effect any reclassification, exchange, combination, substitution, reorganization or recapitalization of the outstanding shares of the Class;

(d) effect an Acquisition or to liquidate, dissolve or wind up; or

(e) effect an IPO;

then, in connection with each such event, the Company shall give Holder:

(1) (1) at least seven (7) Business Days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of outstanding shares of the Class will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (a) and (b) above;

(2) (2) in the case of the matters referred to in (c) and (d) above at least seven (7) Business Days prior written notice of the date when the same will take place (and specifying the date on which the holders of outstanding shares of the Class will be entitled to exchange their shares for the securities or other property deliverable upon the occurrence of such event and such reasonable information as Holder may reasonably require regarding the treatment of this Warrant in connection with such event giving rise to the notice); and

(3) (3) with respect to the IPO, at least seven (7) Business Days prior written notice of the date on which the Company proposes to file its registration statement in connection therewith.

Company will also provide information requested by Holder that is reasonably necessary to enable Holder to comply with Holder's accounting or reporting requirements.

SECTION 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER.

The Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the securities to be acquired upon exercise of this Warrant by Holder are being acquired for investment for Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that it has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. Holder is aware of the Company's business affairs and financial condition and has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Holder or to which Holder has access.

4.3 Investment Experience. Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. Holder has experience as an investor in securities of companies in the development stage and acknowledges that Holder can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

4.5 The Act. Holder understands that this Warrant and the Shares issuable upon exercise hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Holder's investment intent as expressed herein. Holder understands that this Warrant and the Shares issued upon any exercise hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available. Holder is aware of the provisions of Rule 144 promulgated under the Act.

4.6 Market Stand-off Agreement. The Holder agrees that the Shares shall be subject to the Market Standoff provisions in Section 2.11 of the Investors' Rights Agreement or similar agreement.

4.7 No Voting Rights. Holder, as a Holder of this Warrant, will not have any voting rights until the exercise of this Warrant.

SECTION 5. MISCELLANEOUS.

5.1 Term and Automatic Conversion Upon Expiration.

(a) Term. Subject to the provisions of Section 1.6 above, this Warrant is exercisable in whole or in part at any time and from time to time on or before 6:00 PM, Pacific Time, on the Expiration Date and shall be void thereafter.

(b) Automatic Cashless Exercise upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be exercised pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised, and the Company shall, within a reasonable time, deliver a certificate representing the Shares (or such other securities) issued upon such exercise to Holder.

5.2 Legends. The Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

> THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN THAT CERTAIN WARRANT TO PURCHASE STOCK ISSUED BY THE ISSUER TO SILICON VALLEY BANK DATED DECEMBER 20, 2017, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part except in compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to SVB Financial Group (Silicon Valley Bank's parent company) or any other affiliate of Holder, provided that any such transferee is an "accredited investor" as defined in Regulation D promulgated under the Act. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of Rule 144 promulgated under the Act.

5.4 Transfer Procedure. After receipt by Silicon Valley Bank of the executed Warrant, Silicon Valley Bank will transfer all of this Warrant to its parent company, SVB Financial Group. By its acceptance of this Warrant, SVB Financial Group hereby makes to the Company each of the representations and warranties set forth in Section 4 hereof and agrees to be bound by all of the terms and conditions of this Warrant as if the original Holder hereof. Subject to the provisions of Section 5.3 and upon providing the Company with written notice, SVB Financial Group and any subsequent Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the securities issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, SVB Financial Group or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable); and provided further, that any subsequent transferee other than SVB Financial Group shall agree in writing with the Company to be bound by all of the terms and conditions of this Warrant.

5.5 Notices. All notices and other communications hereunder from the Company to the Holder, or vice versa, shall be deemed delivered and effective (i) when given personally, (ii) on the third (3rd)

Business Day after being mailed by first-class registered or certified mail, postage prepaid, (iii) upon actual receipt if given by facsimile or electronic mail and such receipt is confirmed in writing by the recipient, or (iv) on the first Business Day following delivery to a reliable overnight courier service, courier fee prepaid, in any case at such address as may have been furnished to the Company or Holder, as the case may be, in writing by the Company or such Holder from time to time in accordance with the provisions of this Section 5.5. All notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

SVB Financial Group
[***]
Telephone: [***]
Facsimile: [***]
Email address: [***]

Notice to the Company shall be addressed as follows until Holder receives notice of a change in address:

IBOD Company, Inc.
[***]
Telephone:
Facsimile:
Email: [***]

5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated (either generally or in a particular instance and either retroactively or prospectively) only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorney's Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

5.8 Counterparts; Facsimile/Electronic Signatures. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement. Any signature page delivered electronically or by facsimile shall be binding to the same extent as an original signature page with regards to any agreement subject to the terms hereof or any amendment thereto.

5.9 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

5.10 Headings. The headings in this Warrant are for purposes of reference only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

5.11 Business Days. "**Business Day**" is any day that is not a Saturday, Sunday or a day on which Silicon Valley Bank is closed.

[Signatures follow]

[SIGNATURE PAGE TO WARRANT TO PURCHASE STOCK]

IN WITNESS WHEREOF, the parties have caused this Warrant to Purchase Stock to be executed by their duly authorized representatives effective as of the Issue Date written above.

**COMPANY**
IBOD COMPANY, INC.

By: */s/ Alexander E. Timm*
Name: Alexander E. Timm

Title: President/CEO

**HOLDER**

SILICON VALLEY BANK

By: /s/ Jordan R. Parcell
Name: Jordan R. Parcell
Title: Vice President

APPENDIX 1

NOTICE OF EXERCISE

1. The undersigned Holder hereby exercises its right purchase _____ shares of the Common/Series _____ Preferred [circle one] Stock of IBOD Company, Inc. (the "**Company**") in accordance with the attached Warrant To Purchase Stock, and tenders payment of the aggregate Warrant Price for such shares as follows:

[ ] check in the amount of $_____ payable to order of the Company enclosed herewith

[ ] Wire transfer of immediately available funds to the Company's account

[ ] Cashless Exercise pursuant to Section 1.2 of the Warrant

[ ] Other [Describe] _____

2. Please issue a certificate or certificates representing the Shares in the name specified below:

_____
Holder's Name

_____

_____
(Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Section 4 of the Warrant to Purchase Stock as of the date hereof.

HOLDER:

_____

By: _____
Name: _____
Title: _____
(Date): _____

SCHEDULE 1

Company Capitalization Table

**FIRST AMENDMENT TO WARRANTS TO PURCHASE STOCK**

This First Amendment to Warrants to Purchase Stock (this "Amendment") is dated as of January 12, 2018, by and between SVB FINANCIAL GROUP, successor by assignment from Silicon Valley Bank (the "Holder") and IBOD COMPANY, INC. ("Company"), and amends that certain Warrant to Purchase Stock issued by the Company, dated December 20, 2017 (the "Warrant").

Now, therefore, Company and Holder agree as follows:

The Expiration Date set forth on the first page of the Warrant to Purchase Stock shall be amended and restated as "December 20, 2027".

Except as amended hereby, the Warrant shall remain in full force and effect. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the first date above written.

IBOD COMPANY, INC.

By: */s/ Alexander E. Timm*

Name: Alexander E. Timm

Title: CEO

SVB FINANCIAL GROUP

By: /s/ Jordan Parcell

Name: Jordan Parcell

Title: Vice President

Cooley

David G. Peinsipp
+1 415 693 2177
dpeinsipp@cooley.com

October 20, 2020

Root, Inc.
80 E. Rich Street, Suite 500
Columbus, OH 43215

Ladies and Gentlemen:

We have acted as counsel to Root, Inc., a Delaware corporation (the "***Company***"), in connection with the filing by the Company of a Registration Statement (No. 333-249332) on Form S-1 (the "***Registration Statement***") with the Securities and Exchange Commission, including a related prospectus filed with the Registration Statement (the "***Prospectus***"), covering an underwritten public offering of up to 27,789,192 shares of the Company's Class A common stock, par value $0.0001 per share (the "***Shares***"), which consists of (i) up to 25,624,677 Shares to be sold by the Company (including up to 3,624,677 Shares that may be sold by the Company pursuant to the exercise of an option to purchase additional Shares granted to the underwriters) (collectively, the "***Company Shares***") and (ii) 2,164,515 Shares to be sold by the selling stockholder identified in such Registration Statement (the "***Stockholder Shares***").

In connection with this opinion, we have (i) examined and relied upon (a) the Registration Statement and the Prospectus, (b) the Company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, each as currently in effect, (c) the forms of the Company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, filed as Exhibits 3.1 and 3.2 to the Registration Statement, respectively, each of which is to be in effect prior to the closing of the offering contemplated by the Registration Statement and (d) originals or copies certified to our satisfaction of such records, documents, certificates, memoranda and other instruments as in our judgment are necessary or appropriate to enable us to render the opinion expressed below and (ii) assumed that (a) the Shares will be sold at a price established by the Board of Directors of the Company or a duly authorized committee thereof and (b) the Amended and Restated Certificate of Incorporation referred to in clause (i)(c) is filed with the Delaware Secretary of State before issuance of the Shares.

We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to originals of all documents submitted to us as copies, the accuracy, completeness and authenticity of certificates of public officials; and the due authorization, execution and delivery of all documents by all persons other than by the Company where authorization, execution and delivery are prerequisites to the effectiveness thereof. As to certain factual matters, we have relied upon a certificate of an officer of the Company and have not independently verified such matters.

Our opinion is expressed only with respect to the General Corporation Law of the State of Delaware. We express no opinion to the extent that any other laws are applicable to the subject matter hereof and express no opinion and provide no assurance as to compliance with any federal or state securities law, rule or regulation.

On the basis of the foregoing, and in reliance thereon, we are of the opinion that (i) the Company Shares, when sold and issued against payment therefor as described in the Registration Statement and the Prospectus, will be validly issued, fully paid and non-assessable and (ii) the Stockholder Shares have been validly issued and are fully paid and non-assessable.

We consent to the reference to our firm under the caption “Legal Matters” in the Prospectus included in the Registration Statement and to the filing of this opinion as an exhibit to the Registration Statement.

Sincerely,

Cooley LLP

By: /s/ David G. Peinsipp
David G. Peinsipp

**ROOT, Inc.**

**INDEMNIFICATION AGREEMENT**

This **Indemnification Agreement** (this "***Agreement***") is dated as of _____, 20__ and is between Root, Inc., a Delaware corporation (the "***Company***"), and _____ ("***Indemnitee***").

**RECITALS**

**A.** Indemnitee's service to the Company substantially benefits the Company.

**B.** Individuals are reluctant to serve as directors or officers of corporations or in certain other capacities unless they are provided with adequate protection through insurance or indemnification against the risks of claims and actions against them arising out of such service.

**C.** Indemnitee does not regard the protection currently provided by applicable law, the Company's governing documents and any insurance as adequate under the present circumstances, and Indemnitee may not be willing to serve as a director or officer without additional protection.

**D.** In order to induce Indemnitee to continue to provide services to the Company, it is reasonable, prudent and necessary for the Company to contractually obligate itself to indemnify, and to advance expenses on behalf of, Indemnitee as permitted by applicable law.

**E.** This Agreement is a supplement to and in furtherance of the indemnification provided in the Company's certificate of incorporation and bylaws, and any resolutions adopted pursuant thereto, and this Agreement shall not be deemed a substitute therefor, nor shall this Agreement be deemed to limit, diminish or abrogate any rights of Indemnitee thereunder.

**AGREEMENT**

The parties agree as follows:

**1. Definitions**.

**(a)** "***Beneficial Owner***" shall have the meaning given to such term in Rule 13d-3 under the Securities Exchange Act of 1934, as amended; provided, however, that "Beneficial Owner" shall exclude any Person otherwise becoming a Beneficial Owner solely by reason of (i) the stockholders of the Company approving a merger of the Company with another Person, or entering into tender or support agreements relating thereto, provided such merger was approved by the Company's board of directors, or (ii) the Company's board of directors approving a sale of securities by the Company to such Person.

**(b)** A "***Change in Control***" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

**(i)** *Acquisition of Stock by Third Party.* Any Person (as defined below) becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities;

**(ii)** *Change in Board Composition.* During any period of two consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constituted the Company's board of directors and any Approved Directors cease for any reason to constitute a majority of the members of the Company's board of directors. "***Approved Directors***" means new directors whose election or nomination by the board of directors was approved by a vote of at least two thirds of the directors then still in office who either were directors at the beginning of such two-year period or whose election or nomination for election was previously so approved; or

**(iii)** *Corporate Transactions.* The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect a majority of the board of directors or other governing body of such surviving entity.

**(c)** "***Corporate Status***" describes the status of a person who is or was a director, trustee, general partner, managing member, officer, employee, agent or fiduciary of the Company or any other Enterprise.

**(d)** "***DGCL***" means the General Corporation Law of the State of Delaware.

**(e)** "***Disinterested Director***" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

**(f)** "***Enterprise***" means the Company and any other corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, trustee, general partner, managing member, officer, employee, agent or fiduciary.

**(g)** "***Expenses***" include all reasonably and actually incurred attorneys' fees, retainers, court costs, transcript costs, fees and costs of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond or other appeal bond or their equivalent, and (ii) for purposes of Section 10(d), Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

**(h)** "***Independent Counsel***" means a law firm, or a partner or member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent (i) the Company, any Enterprise or Indemnitee in any matter material to any such party (other than as Independent Counsel with respect to matters concerning Indemnitee under this Agreement, or other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term

Independent Counsel shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

**(i)** "***Person***" shall have the meaning used for such term in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

**(j)** "***Proceeding***" means any threatened, pending or completed action, suit, arbitration, mediation, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, whether formal or informal, including any appeal therefrom and including without limitation any such Proceeding pending as of the date of this Agreement, in which Indemnitee was, is or will be involved as a party, a potential party, a non-party witness or otherwise by reason of (i) the fact that Indemnitee is or was a director or officer of the Company, (ii) any action taken by Indemnitee or any action or inaction on Indemnitee's part while acting as a director or officer of the Company, or (iii) the fact that he or she is or was serving at the request of the Company as a director, trustee, general partner, managing member, officer, employee, agent or fiduciary of the Company or any other Enterprise, in each case whether or not serving in such capacity at the time any liability or Expense is incurred for which indemnification or advancement of expenses can be provided under this Agreement.

**(k)** "***to the fullest extent permitted by applicable law***" means to the fullest extent permitted by all applicable laws, including without limitation: (i) the fullest extent permitted by DGCL as of the date of this Agreement and (ii) the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its officers and directors.

**(l)** In connection with any Proceeding relating to an employee benefit plan: references to "***fines***" shall include any excise taxes assessed on a person with respect to any employee benefit plan; references to "***serving at the request of the Company***" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "***not opposed to the best interests of the Company***" as referred to in this Agreement.

**2. Indemnity in Third-Party Proceedings**. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 2 if Indemnitee is, or is threatened to be made, a party to or witness or other participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 2, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee or on his or her behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

**3. Indemnity in Proceedings by or in the Right of the Company**. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a witness or other participant in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses incurred by Indemnitee or on his or her behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 3 in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged by a court of competent jurisdiction to be liable to the Company, unless and only to the extent that the Delaware Court of Chancery or any court in which the Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification for such expenses as the Delaware Court of Chancery or such other court shall deem proper.

**4. Indemnification for Expenses of a Party Who is wholly or partly Successful**. To the extent that Indemnitee is a party to, and is successful (on the merits or otherwise) in defense of, any Proceeding or any claim, issue or matter therein, the Company shall indemnify Indemnitee against all Expenses incurred by Indemnitee or on Indemnitee's behalf in connection therewith. For purposes of this Section 4, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

**5. Exclusions**. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any Proceeding (or any part of any Proceeding):

**(a)** for which payment has actually been made to or on behalf of Indemnitee under any statute, insurance policy, indemnity provision, vote or otherwise, except with respect to any excess beyond the amount paid;

**(b)** for an accounting or disgorgement of profits pursuant to Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of federal, state or local statutory law or common law, if Indemnitee is held liable therefor (including pursuant to any settlement arrangements);

**(c)** for any reimbursement of the Company by Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the Securities Exchange Act of 1934, as amended (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "***Sarbanes-Oxley Act***"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act), if Indemnitee is held liable therefor (including pursuant to any settlement arrangements);

**(d)** initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees, agents or other indemnitees, unless (i) the Company's board of directors authorized the Proceeding (or the relevant part of the Proceeding) prior to its initiation, (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law, (iii) otherwise authorized in Section 10(d) or (iv) otherwise required by applicable law; provided, for the avoidance of doubt,

Indemnitee shall not be deemed for purposes of this paragraph, to have initiated any Proceeding (or any part of a Proceeding) by reason of (i) having asserted any affirmative defenses in connection with a claim not initiated by Indemnitee or (ii) having made any counterclaim (whether permissive or mandatory) in connection with any claim not initiated by Indemnitee; or

**(e)** if prohibited by the DGCL or other applicable law.

**6. Advances of Expenses**. The Company shall advance the Expenses incurred by Indemnitee in connection with any Proceeding prior to its final disposition, and such advancement shall be made as soon as reasonably practicable, but in any event no later than 30 days, after the receipt by the Company of a written statement or statements requesting such advances from time to time (which shall include invoices received by Indemnitee in connection with such Expenses but, in the case of invoices in connection with legal services, any references to legal work performed or to expenditure made that would cause Indemnitee to waive any privilege accorded by applicable law shall not be included with the invoice). Advances shall be unsecured and interest free and made without regard to Indemnitee's ability to repay such advances. Indemnitee hereby undertakes to repay any advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company, *except*, with respect to advances of expenses made pursuant to Section 10(c), in which case Indemnitee makes the undertaking provided in Section 10(c). This Section 6 shall not apply to the extent advancement is prohibited by law and shall not apply to any Proceeding (or any part of any Proceeding) for which indemnity is not permitted under this Agreement, but shall apply to any Proceeding (or any part of any Proceeding) referenced in Section 5(b) or 5(c) prior to a determination that Indemnitee is not entitled to be indemnified by the Company.

**7. Procedures for Notification and Defense of Claim**.

**(a)** Indemnitee shall notify the Company in writing of any matter with respect to which Indemnitee intends to seek indemnification or advancement of Expenses as soon as reasonably practicable following the receipt by Indemnitee of notice thereof. The written notification to the Company shall include, in reasonable detail, a description of the nature of the Proceeding and the facts underlying the Proceeding. The failure by Indemnitee to notify the Company will not relieve the Company from any liability that it may have to Indemnitee hereunder or otherwise than under this Agreement, and any delay in so notifying the Company shall not constitute a waiver by Indemnitee of any rights, except to the extent that such failure or delay materially prejudices the Company.

**(b)** If, at the time of the receipt of a notice of a Proceeding pursuant to the terms hereof, the Company has directors' and officers' liability insurance in effect that may be applicable to the Proceeding, the Company shall give prompt notice of the commencement of the Proceeding to the insurers in accordance with the procedures set forth in the applicable policies. The Company shall thereafter take all commercially reasonable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

**(c)** In the event the Company may be obligated to make any indemnity in connection with a Proceeding, the Company shall be entitled to assume the defense of such Proceeding with counsel approved by Indemnitee, which approval shall not be unreasonably withheld, conditioned or delayed, upon the delivery to Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee for any fees or expenses of counsel subsequently incurred by Indemnitee with respect to the same Proceeding. Notwithstanding the Company's assumption of the defense of any

such Proceeding, the Company shall be obligated to pay the fees and expenses of Indemnitee's separate counsel to the extent (i) the employment of separate counsel by Indemnitee is authorized by the Company, (ii) counsel for the Company shall have reasonably concluded that there is a conflict of interest between the Company and Indemnitee in the conduct of any such defense such that Indemnitee needs to be separately represented, (iii) the Company is not financially or legally able to perform its indemnification obligations, or (iv) the Company shall not have retained, or shall not continue to retain, counsel to defend such Proceeding. Regardless of any provision in this Agreement, Indemnitee shall have the right to employ counsel in any Proceeding at Indemnitee's personal expense. The Company shall not be entitled, without the consent of Indemnitee, to assume the defense of any claim brought by or in the right of the Company.

**(d)** Indemnitee shall give the Company such information and cooperation in connection with the Proceeding as may be reasonably appropriate.

**(e)** The Company shall not be liable to indemnify Indemnitee for any settlement of any Proceeding (or any part thereof) effected without the Company's prior written consent, which shall not be unreasonably withheld, conditioned or delayed. The Company acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any action, claim or proceeding to which Indemnitee is a party is resolved in a settlement to which the Company has given its prior written consent, such settlement shall be treated as a success on the merits in the settled action, suit or proceeding.

**(f)** The Company shall not settle any Proceeding (or any part thereof) in a manner that imposes any penalty or liability on Indemnitee not paid by the Company without Indemnitee's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

**8. Procedures upon Application for Indemnification**.

**(a)** To obtain indemnification, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and as is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of the Proceeding. Any delay in providing the request will not relieve the Company from its obligations under this Agreement, except to the extent such failure is prejudicial.

**(b)** Upon written request by Indemnitee for indemnification pursuant to Section 8(a), a determination with respect to Indemnitee's entitlement thereto shall be made as follows, provided that a Change in Control shall not have occurred: (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Company's board of directors; (ii) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Company's board of directors; (iii) if there are no such Disinterested Directors or, if a majority of Disinterested Directors so direct, by Independent Counsel in a written opinion to the Company's board of directors, a copy of which shall be delivered to Indemnitee; or (iv) if so directed by the Company's board of directors, by the stockholders of the Company. If a Change in Control shall have occurred, a determination with respect to Indemnitee's entitlement to indemnification shall be made by Independent Counsel in a written opinion to the Company's board of directors, a copy of which shall be delivered to Indemnitee. If it is determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten days after such determination. Indemnitee shall cooperate with the person, persons or entity making the determination with respect to Indemnitee's entitlement to indemnification, including

providing to such person, persons or entity upon reasonable advance request any documentation or information that is not privileged or otherwise protected from disclosure and that is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) actually and reasonably incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company, to the extent permitted by applicable law.

**(c)** In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 8(b), the Independent Counsel shall be selected as provided in this Section 8(c). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Company's board of directors, and the Company shall give written notice to Indemnitee advising him or her of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Company's board of directors, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within ten days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 1, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within 20 days after the later of (i) submission by Indemnitee of a written request for indemnification pursuant to Section 8(a) and (ii) the final disposition of the Proceeding, the parties have not agreed upon an Independent Counsel, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection that shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 8(b). Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 10(a), the Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

**(d)** The Company shall pay the reasonable fees and expenses of any Independent Counsel and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

**9. Presumptions and Effect of Certain Proceedings**.

**(a)** In making a determination with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement, and the Company shall, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption by clear and convincing evidence.

**(b)** The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not

(except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner that he or she reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his or her conduct was unlawful.

**(c)** For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith to the extent Indemnitee relied in good faith on (i) the records or books of account of the Enterprise, including financial statements, (ii) information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, (iii) the advice of legal counsel for the Enterprise or its board of directors or counsel selected by any committee of the board of directors or (iv) information or records given or reports made to the Enterprise by an independent certified public accountant, an appraiser, investment banker or other expert selected with reasonable care by the Enterprise or its board of directors or any committee of the board of directors. The provisions of this Section 9(c) shall not be deemed to be exclusive or to limit in any way the other circumstances in which Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

**(d)** Neither the knowledge, actions nor failure to act of any other director, officer, agent or employee of the Enterprise shall be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

**10. Remedies of Indemnitee**.

**(a)** Subject to Section 10(e), in the event that (i) a determination is made pursuant to Section 9 that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 6 or 10(d), (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 8 within 30 days after the later of the receipt by the Company of the request for indemnification or the final disposition of the Proceeding, (iv) payment of indemnification pursuant to this Agreement is not made (A) within ten days after a determination has been made that Indemnitee is entitled to indemnification or (B) with respect to indemnification pursuant to Sections 4, 5 and 10(d), within 30 days after receipt by the Company of a written request therefor, or (v) the Company or any other person or entity takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, Indemnitee the benefits provided or intended to be provided to Indemnitee hereunder, Indemnitee shall be entitled to an adjudication by a court of competent jurisdiction of his or her entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his or her option, may seek an award in arbitration with respect to his or her entitlement to such indemnification or advancement of Expenses, to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 12 months following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 10(a); *provided, however,* that the foregoing clause shall not apply in respect of a proceeding brought by Indemnitee to enforce his or her rights under Section 4. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration in accordance with this Agreement.

**(b)** Neither (i) the failure of the Company, its board of directors, any committee or subgroup of the board of directors, Independent Counsel or stockholders to have made a determination that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor (ii) an actual determination by the Company, its board of directors,

any committee or subgroup of the board of directors, Independent Counsel or stockholders that Indemnitee has not met the applicable standard of conduct, shall create a presumption that Indemnitee has or has not met the applicable standard of conduct. In the event that a determination shall have been made pursuant to Section 8 that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 10 shall be conducted in all respects as a *de novo* trial, or arbitration, on the merits, and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 10, the Company shall, to the fullest extent not prohibited by law, have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and the burden of proof shall be by clear and convincing evidence.

**(c)** To the fullest extent not prohibited by law, the Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 10 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. If a determination shall have been made pursuant to Section 10 that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 10, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statements not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

**(d)** To the extent not prohibited by law, the Company shall indemnify Indemnitee against all Expenses incurred by Indemnitee in connection with any action for indemnification or advancement of Expenses from the Company under this Agreement, any other agreement, the Company's certificate of incorporation or bylaws or under any directors' and officers' liability insurance policies maintained by the Company to the extent Indemnitee is successful in such action, and, if requested by Indemnitee, shall (as soon as reasonably practicable, but in any event no later than 30 days, after receipt by the Company of a written request therefor) advance such Expenses to Indemnitee, subject to the provisions of Section 6. Indemnitee hereby undertakes to repay such advances to the extent the Indemnitee is ultimately unsuccessful in such action or arbitration.

**(e)** Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification shall be required to be made prior to the final disposition of the Proceeding.

**11. Contribution**. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amounts incurred by Indemnitee, whether for Expenses, judgments, fines or amounts paid or to be paid in settlement, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the events and transactions giving rise to such Proceeding; and (ii) the relative fault of Indemnitee and the Company (and its other directors, officers, employees and agents) in connection with such events and transactions.

**12. Non-exclusivity**. The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Company's certificate of incorporation or bylaws,

any agreement, a vote of stockholders or a resolution of directors, or otherwise. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Company's certificate of incorporation and bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change, subject to the restrictions expressly set forth herein or therein. Except as expressly set forth herein, no right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. Except as expressly set forth herein, the assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

**13. Primary Responsibility**. The Company acknowledges that to the extent Indemnitee is serving as a director on the Company's board of directors at the request or direction of a private equity or venture capital fund or other entity and/or certain of its affiliates (collectively, the "***Secondary Indemnitors***"), Indemnitee may have certain rights to indemnification and advancement of expenses provided by such Secondary Indemnitors. The Company agrees that, as between the Company and the Secondary Indemnitors, the Company is primarily responsible for amounts required to be indemnified or advanced under the Company's certificate of incorporation or bylaws or this Agreement and any obligation of the Secondary Indemnitors to provide indemnification or advancement for the same amounts is secondary to those Company obligations. To the extent not in contravention of any insurance policy or policies providing liability or other insurance for the Company or any director, trustee, general partner, managing member, officer, employee, agent or fiduciary of the Company or any other Enterprise, the Company waives any right of contribution or subrogation against the Secondary Indemnitors with respect to the liabilities for which the Company is primarily responsible under this Section 13. In the event of any payment by the Secondary Indemnitors of amounts otherwise required to be indemnified or advanced by the Company under the Company's certificate of incorporation or bylaws or this Agreement, the Secondary Indemnitors shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee for indemnification or advancement of expenses under the Company's certificate of incorporation or bylaws or this Agreement or, to the extent such subrogation is unavailable and contribution is found to be the applicable remedy, shall have a right of contribution with respect to the amounts paid. The Secondary Indemnitors are express third-party beneficiaries of the terms of this Section 13.

**14. No Duplication of Payments**. Subject to Section 13, the Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder (or for which advancement is provided hereunder) if and to the extent that Indemnitee has otherwise actually received payment for such amounts under any insurance policy, contract, agreement or otherwise.

**15. Insurance**. To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, trustees, general partners, managing members, officers, employees, agents or fiduciaries of the Company or any other Enterprise, Indemnitee shall be covered by such policy or policies to the same extent as the most favorably-insured persons under such policy or policies in a comparable position.

**16. Subrogation**. Subject to Section 13, in the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights,

including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

**17. Services to the Company**. Indemnitee agrees to serve as a director or officer of the Company or, at the request of the Company, as a director, trustee, general partner, managing member, officer, employee, agent or fiduciary of another Enterprise, for so long as Indemnitee is duly elected or appointed or until Indemnitee tenders his or her resignation or is removed from such position. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in such position. This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee. Indemnitee specifically acknowledges that any employment with the Company (or any of its subsidiaries or any Enterprise) is at will, and Indemnitee may be discharged at any time for any reason, with or without cause, with or without notice, except as may be otherwise expressly provided in any executed, written employment contract between Indemnitee and the Company (or any of its subsidiaries or any Enterprise), any existing formal severance policies adopted by the Company's board of directors or, with respect to service as a director or officer of the Company, the Company's certificate of incorporation or bylaws or the DGCL. No such document shall be subject to any oral modification thereof.

**18. Duration**. This Agreement shall continue until and terminate upon the later of (a) ten years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or as a director, trustee, general partner, managing member, officer, employee, agent or fiduciary of any other Enterprise, as applicable; or (b) one year after the final termination of any Proceeding, including any appeal, then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any Proceeding commenced by Indemnitee pursuant to Section 10 relating thereto.

**19. Successors**. This Agreement shall be binding upon the Company and its successors and assigns, including any direct or indirect successor, by purchase, merger, consolidation or otherwise, to all or substantially all of the business or assets of the Company, and shall inure to the benefit of Indemnitee and Indemnitee's heirs, executors and administrators. Further, the Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, by written agreement, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

**20. Severability**. Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order or other applicable law, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (ii) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (iii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing

any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

**21. Enforcement**. The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

**22. Entire Agreement**. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; *provided*, *however*, that this Agreement is a supplement to and in furtherance of the Company's certificate of incorporation and bylaws and applicable law.

**23. Modification and Waiver**. No supplement, modification or amendment to this Agreement shall be binding unless executed in writing by the parties hereto. No amendment, alteration or repeal of this Agreement shall adversely affect any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his or her Corporate Status prior to such amendment, alteration or repeal. No waiver of any of the provisions of this Agreement shall constitute or be deemed a waiver of any other provision of this Agreement nor shall any waiver constitute a continuing waiver.

**24. Notices**. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, sent by facsimile or electronic mail or otherwise delivered by hand, messenger or courier service addressed:

**(a)** if to Indemnitee, to Indemnitee's address, facsimile number or electronic mail address as shown on the signature page of this Agreement or in the Company's records, as may be updated in accordance with the provisions hereof; or

**(b)** if to the Company, to 80 E. Rich Street, Suite 500 Columbus, Ohio 43215, Attention: General Counsel or at such other current address as the Company shall have furnished to Indemnitee.

Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given (i) if delivered by hand, messenger or courier service, when delivered (or if sent *via* a nationally-recognized overnight courier service, freight prepaid, specifying next-business-day delivery, one business day after deposit with the courier), or (ii) if sent via mail, at the earlier of its receipt or five days after the same has been deposited in a regularly-maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid, or (iii) if sent via facsimile, upon confirmation of facsimile transfer or, if sent via electronic mail, upon confirmation of delivery when directed to the relevant electronic mail address, if sent during normal business hours of the recipient, or if not sent during normal business hours of the recipient, then on the recipient's next business day.

**25. Applicable Law and Consent to Jurisdiction**. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 10(a), the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Delaware Court of Chancery, and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court

of Chancery for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) appoint, to the extent such party is not otherwise subject to service of process in the State of Delaware, The Corporation Trust Company, Wilmington, Delaware as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court of Chancery, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court of Chancery has been brought in an improper or inconvenient forum.

**26. Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. This Agreement may also be executed and delivered by facsimile signature and in counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

**27. Captions**. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

(*signature page follows*)

The parties are signing this Indemnification Agreement as of the date stated in the introductory sentence.

**Root, Inc.**

By: _____
Name: _____
Title: _____

_____
**[INDEMNITEE NAME]**

Address: _____
_____

# ROOT, INC.
# 2020 EQUITY INCENTIVE PLAN

**ADOPTED BY THE BOARD OF DIRECTORS: _____, 2020**
**ADOPTED BY THE STOCKHOLDERS: _____, 2020**

## 1. GENERAL.

**(a) Successor to and Continuation of Prior Plan.** The Plan is the successor to and continuation of the Prior Plan. As of the Effective Date, (i) no additional awards may be granted under the Prior Plan; (ii) the Prior Plan's Available Reserve (plus any Returning Shares) will become available for issuance pursuant to Awards granted under this Plan (provided, however, that any such shares that are shares of Class B Common Stock shall instead be added to the Share Reserve as shares of Class A Common Stock as described in Section 2(a)); and (iii) all outstanding awards granted under the Prior Plan will remain subject to the terms of the Prior Plan (except to the extent such outstanding awards result in Returning Shares that become available for issuance pursuant to Awards granted under this Plan). All Awards granted under this Plan will be subject to the terms of this Plan.

**(b) Plan Purpose.** The Company, by means of the Plan, seeks to secure and retain the services of Employees, Directors and Consultants, to provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate and to provide a means by which such persons may be given an opportunity to benefit from increases in value of the Class A Common Stock through the granting of Awards.

**(c) Available Awards.** The Plan provides for the grant of the following Awards: (i) Incentive Stock Options; (ii) Nonstatutory Stock Options; (iii) SARs; (iv) Restricted Stock Awards; (v) RSU Awards; (vi) Performance Awards; and (vii) Other Awards.

**(d) Adoption Date; Effective Date.** The Plan will come into existence on the Adoption Date, but no Award may be granted prior to the Effective Date.

## 2. SHARES SUBJECT TO THE PLAN.

**(a) Share Reserve.** Subject to adjustment in accordance with Section 2(c) and any adjustments as necessary to implement any Capitalization Adjustments, the aggregate number of shares of Class A Common Stock that may be issued pursuant to Awards will not exceed 41,247,840 shares, which number is the sum of: (i) 25,000,000 new shares, plus (ii) a number of shares of Class A Common Stock equal to the Prior Plan's Available Reserve, plus (iii) a number of shares of Class A Common Stock equal to the number of Returning Shares, if any, as such shares become available from time to time. In addition, subject to any adjustments as necessary to implement any Capitalization Adjustments, such aggregate number of shares of Class A Common Stock will automatically increase on January 1 of each year for a period of ten years commencing on January 1, 2021 and ending on (and including) January 1, 2030, in an amount equal to 4%) of the total number of shares of Capital Stock outstanding on December 31 of the preceding year; provided, however, that the Board may act prior to January 1st of a given year to provide that the increase for such year will be a lesser number of shares of Class A Common Stock.

**(b) Aggregate Incentive Stock Option Limit.** Notwithstanding anything to the contrary in Section 2(a) and subject to any adjustments as necessary to implement any Capitalization Adjustments, the aggregate maximum number of shares of Class A Common Stock that may be issued pursuant to the exercise of Incentive Stock Options is 120,000,000 shares.

**(c) Share Reserve Operation.**

**(i) Limit Applies to Class A Common Stock Issued Pursuant to Awards.** For clarity, the Share Reserve is a limit on the number of shares of Class A Common Stock that may be issued pursuant to Awards and does not limit the granting of Awards, except that the Company will keep available at all times the number of shares of Class A Common Stock reasonably required to satisfy its obligations to issue shares pursuant to such Awards. Shares may be issued in connection with a merger or acquisition as permitted by, as applicable, Nasdaq Listing Rule 5635(c), NYSE Listed Company Manual Section 303A.08, NYSE American Company Guide Section 711 or other applicable rule, and such issuance will not reduce the number of shares available for issuance under the Plan.

**(ii) Actions that Do Not Constitute Issuance of Class A Common Stock and Do Not Reduce Share Reserve.** The following actions do not result in an issuance of shares under the Plan and accordingly do not reduce the number of shares subject to the Share Reserve and available for issuance under the Plan: (1) the expiration or termination of any portion of an Award without the shares covered by such portion of the Award having been issued, (2) the settlement of any portion of an Award in cash (i.e., the Participant receives cash rather than Class A Common Stock), (3) the withholding of shares that would otherwise be issued by the Company to satisfy the exercise, strike or purchase price of an Award; or (4) the withholding of shares that would otherwise be issued by the Company to satisfy a tax withholding obligation in connection with an Award.

**(iii) Reversion of Previously Issued Shares of Class A Common Stock to Share Reserve.** The following shares of Class A Common Stock previously issued pursuant to an Award and accordingly initially deducted from the Share Reserve will be added back to the Share Reserve and again become available for issuance under the Plan: (1) any shares that are forfeited back to or repurchased by the Company because of a failure to meet a contingency or condition required for the vesting of such shares; (2) any shares that are reacquired by the Company to satisfy the exercise, strike or purchase price of an Award; and (3) any shares that are reacquired by the Company to satisfy a tax withholding obligation in connection with an Award.

**3. ELIGIBILITY AND LIMITATIONS.**

**(a) Eligible Award Recipients.** Subject to the terms of the Plan, Employees, Directors and Consultants are eligible to receive Awards.

**(b) Specific Award Limitations.**

**(i) Limitations on Incentive Stock Option Recipients.** Incentive Stock Options may be granted only to Employees of the Company or a "parent corporation" or "subsidiary corporation" thereof (as such terms are defined in Sections 424(e) and (f) of the Code).

**(ii) Incentive Stock Option $100,000 Limitation.** To the extent that the aggregate Fair Market Value (determined at the time of grant) of Class A Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and any Affiliates) exceeds $100,000 (or such other limit established in the Code) or otherwise does not comply with the rules governing Incentive Stock Options, the Options or portions thereof that exceed such limit (according to the order in which they were granted) or otherwise do not comply with such rules will be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

**(iii) Limitations on Incentive Stock Options Granted to Ten Percent Stockholders.** A Ten Percent Stockholder may not be granted an Incentive Stock Option unless (i) the exercise price of such Option is at least 110% of the Fair Market Value on the date of grant of such Option and (ii) the Option is not exercisable after the expiration of five years from the date of grant of such Option.

**(iv) Limitations on Nonstatutory Stock Options and SARs.** Nonstatutory Stock Options and SARs may not be granted to Employees, Directors and Consultants who are providing Continuous Service only to any "parent" of the Company (as such term is defined in Rule 405) unless the stock underlying such Awards is treated as "service recipient stock" under Section 409A because the Awards are granted pursuant to a corporate transaction (such as a spin off transaction) or unless such Awards otherwise comply with the distribution requirements of Section 409A.

**(c) Aggregate Incentive Stock Option Limit.** The aggregate maximum number of shares of Class A Common Stock that may be issued pursuant to the exercise of Incentive Stock Options is the number of shares specified in Section 2(b).

**(d) Non-Employee Director Compensation Limit.** The aggregate value of all compensation granted or paid, as applicable, following the IPO Date, to any individual for service as a Non-Employee Director with respect to any calendar year, including Awards granted and cash fees paid by the Company to such Non-Employee Director, will not exceed (i) $650,000 in total value or (ii) in the event such Non-Employee Director is first appointed or elected to the Board during such calendar year, $900,000 in total value, in each case calculating the value of any equity awards based on the grant date fair value of such equity awards for financial reporting purposes.

**4. OPTIONS AND STOCK APPRECIATION RIGHTS.**

Each Option and SAR will have such terms and conditions as determined by the Board. Each Option will be designated in writing as an Incentive Stock Option or Nonstatutory Stock Option at the time of grant; provided, however, that if an Option is not so designated, then such Option will be a Nonstatutory Stock Option, and the shares purchased upon exercise of each type of Option will be separately accounted for. Each SAR will be denominated in shares of Class A Common Stock equivalents. The terms and conditions of separate Options and SARs need not be identical; provided, however, that each Option Agreement and SAR Agreement will conform (through incorporation of provisions hereof by reference in the Award Agreement or otherwise) to the substance of each of the following provisions:

**(a) Term.** Subject to Section 3(b) regarding Ten Percent Stockholders, no Option or SAR will be exercisable after the expiration of ten years from the date of grant of such Award or such shorter period specified in the Award Agreement.

**(b) Exercise or Strike Price.** Subject to Section 3(b) regarding Ten Percent Stockholders, the exercise or strike price of each Option or SAR will not be less than 100% of the Fair Market Value on the date of grant of such Award. Notwithstanding the foregoing, an Option or SAR may be granted with an exercise or strike price lower than 100% of the Fair Market Value on the date of grant of such Award if such Award is granted pursuant to an assumption of or substitution for another option or stock appreciation right pursuant to a Corporate Transaction and in a manner consistent with the provisions of Sections 409A and, if applicable, 424(a) of the Code.

**(c) Exercise Procedure and Payment of Exercise Price for Options.** In order to exercise an Option, the Participant must provide notice of exercise to the Plan Administrator in accordance with the procedures specified in the Option Agreement or otherwise provided by the Company. The Board has the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to utilize a particular method of payment. The exercise price of an Option may be paid, to the extent permitted by Applicable Law and as determined by the Board, by one or more of the following methods of payment to the extent set forth in the Option Agreement:

**(i)** by cash or check, bank draft or money order payable to the Company;

**(ii)** pursuant to a "cashless exercise" program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of the Class A Common Stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the exercise price to the Company from the sales proceeds;

**(iii)** by delivery to the Company (either by actual delivery or attestation) of shares of Class A Common Stock that are already owned by the Participant free and clear of any liens, claims, encumbrances or security interests, with a Fair Market Value on the date of exercise that does not exceed the exercise price, provided that (1) at the time of exercise the Class A Common Stock is publicly traded, (2) any remaining balance of the exercise price not satisfied by such delivery is paid by the Participant in cash or other permitted form of payment, (3) such delivery would not violate any Applicable Law or agreement restricting the redemption of the Class A Common Stock, (4) any certificated shares are endorsed or accompanied by an executed assignment separate from certificate, and (5) such shares have been held by the Participant for any minimum period necessary to avoid adverse accounting treatment as a result of such delivery;

**(iv)** if the Option is a Nonstatutory Stock Option, by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Class A Common Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value on the date of exercise that does not exceed the exercise price, provided that (1) such shares used to pay the exercise price will not be exercisable thereafter and (2) any remaining balance of the exercise price not satisfied by such net exercise is paid by the Participant in cash or other permitted form of payment; or

**(v)** in any other form of consideration that may be acceptable to the Board and permissible under Applicable Law.

**(d) Exercise Procedure and Payment of Appreciation Distribution for SARs.** In order to exercise any SAR, the Participant must provide notice of exercise to the Plan Administrator in accordance with the SAR Agreement. The appreciation distribution payable to a Participant upon the exercise of a SAR will not be greater than an amount equal to the excess of (i) the aggregate Fair Market Value on the date of exercise of a number of shares of Class A Common Stock equal to the number of Class A Common Stock equivalents that are vested and being exercised under such SAR, over (ii) the strike price of such SAR. Such appreciation distribution may be paid to the Participant in the form of Class A Common Stock or cash (or any combination of Class A Common Stock and cash) or in any other form of payment, as determined by the Board and specified in the SAR Agreement.

**(e) Transferability.** Options and SARs may not be transferred to third party financial institutions for value. The Board may impose such additional limitations on the transferability of an

Option or SAR as it determines. In the absence of any such determination by the Board, the following restrictions on the transferability of Options and SARs will apply, provided that except as explicitly provided herein, neither an Option nor a SAR may be transferred for consideration and provided, further, that if an Option is an Incentive Stock Option, such Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer:

**(i) Restrictions on Transfer.** An Option or SAR will not be transferable, except by will or by the laws of descent and distribution, and will be exercisable during the lifetime of the Participant only by the Participant; provided, however, that the Board may permit transfer of an Option or SAR in a manner that is not prohibited by applicable tax and securities laws upon the Participant's request, including to a trust if the Participant is considered to be the sole beneficial owner of such trust (as determined under Section 671 of the Code and applicable state law) while such Option or SAR is held in such trust, provided that the Participant and the trustee enter into a transfer and other agreements required by the Company.

**(ii) Domestic Relations Orders.** Notwithstanding the foregoing, subject to the execution of transfer documentation in a format acceptable to the Company and subject to the approval of the Board or a duly authorized Officer, an Option or SAR may be transferred pursuant to a domestic relations order.

**(f) Vesting.** The Board may impose such restrictions on or conditions to the vesting and/or exercisability of an Option or SAR as determined by the Board. Except as otherwise provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate, vesting of Options and SARs will cease upon termination of the Participant's Continuous Service.

**(g) Termination of Continuous Service for Cause.** Except as explicitly otherwise provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate, if a Participant's Continuous Service is terminated for Cause, the Participant's Options and SARs will terminate and be forfeited immediately upon such termination of Continuous Service, and the Participant will be prohibited from exercising any portion (including any vested portion) of such Awards on and after the date of such termination of Continuous Service and the Participant will have no further right, title or interest in such forfeited Award, the shares of Class A Common Stock subject to the forfeited Award, or any consideration in respect of the forfeited Award.

**(h) Post-Termination Exercise Period Following Termination of Continuous Service for Reasons Other than Cause.** Subject to Section 4(i), if a Participant's Continuous Service terminates for any reason other than for Cause, the Participant may exercise his or her Option or SAR to the extent vested, but only within the following period of time or, if applicable, such other period of time provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate; provided, however, that in no event may such Award be exercised after the expiration of its maximum term (as set forth in Section 4(a)):

**(i)** three months following the date of such termination if such termination is a termination without Cause (other than any termination due to the Participant's Disability or death);

**(ii)** 12 months following the date of such termination if such termination is due to the Participant's Disability;

**(iii)** 18 months following the date of such termination if such termination is due to the Participant's death; or

**(iv)** 18 months following the date of the Participant's death if such death occurs following the date of such termination but during the period such Award is otherwise exercisable (as provided in (i) or (ii) above).

Following the date of such termination, to the extent the Participant does not exercise such Award within the applicable Post-Termination Exercise Period (or, if earlier, prior to the expiration of the maximum term of such Award), such unexercised portion of the Award will terminate, and the Participant will have no further right, title or interest in terminated Award, the shares of Class A Common Stock subject to the terminated Award, or any consideration in respect of the terminated Award.

**(i) Restrictions on Exercise; Extension of Exercisability.** A Participant may not exercise an Option or SAR at any time that the issuance of shares of Class A Common Stock upon such exercise would violate Applicable Law. Except as otherwise provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate, if a Participant's Continuous Service terminates for any reason other than for Cause and, at any time during the last thirty days of the applicable Post-Termination Exercise Period: (i) the exercise of the Participant's Option or SAR would be prohibited solely because the issuance of shares of Class A Common Stock upon such exercise would violate Applicable Law, or (ii) the immediate sale of any shares of Class A Common Stock issued upon such exercise would violate the Company's Trading Policy, then the applicable Post-Termination Exercise Period will be extended to the last day of the calendar month that commences following the date the Award would otherwise expire, with an additional extension of the exercise period to the last day of the next calendar month to apply if any of the foregoing restrictions apply at any time during such extended exercise period, generally without limitation as to the maximum permitted number of extensions); provided, however, that in no event may such Award be exercised after the expiration of its maximum term (as set forth in Section 4(a)).

**(j) Non-Exempt Employees**. No Option or SAR, whether or not vested, granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, will be first exercisable for any shares of Class A Common Stock until at least six months following the date of grant of such Award. Notwithstanding the foregoing, in accordance with the provisions of the Worker Economic Opportunity Act, any vested portion of such Award may be exercised earlier than six months following the date of grant of such Award in the event of (i) such Participant's death or Disability, (ii) a Corporate Transaction in which such Award is not assumed, continued or substituted, (iii) a Change in Control, or (iv) such Participant's retirement (as such term may be defined in the Award Agreement or another applicable agreement or, in the absence of any such definition, in accordance with the Company's then current employment policies and guidelines). This Section 4(j) is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option or SAR will be exempt from his or her regular rate of pay.

**(k) Whole Shares**. Options and SARs may be exercised only with respect to whole shares of Class A Common Stock or their equivalents.

## 5. AWARDS OTHER THAN OPTIONS AND STOCK APPRECIATION RIGHTS.

**(a) Restricted Stock Awards and RSU Awards.** Each Restricted Stock Award and RSU Award will have such terms and conditions as determined by the Board; provided, however, that each Restricted Stock Award Agreement and RSU Award Agreement will conform (through incorporation of

the provisions hereof by reference in the Award Agreement or otherwise) to the substance of each of the following provisions:

**(i) Form of Award.**

**(1)** RSAs: To the extent consistent with the Company's Bylaws, at the Board's election, shares of Class A Common Stock subject to a Restricted Stock Award may be (i) held in book entry form subject to the Company's instructions until such shares become vested or any other restrictions lapse, or (ii) evidenced by a certificate, which certificate will be held in such form and manner as determined by the Board. Unless otherwise determined by the Board, a Participant will have voting and other rights as a stockholder of the Company with respect to any shares subject to a Restricted Stock Award.

**(2)** RSUs: A RSU Award represents a Participant's right to be issued on a future date the number of shares of Class A Common Stock that is equal to the number of restricted stock units subject to the RSU Award. As a holder of a RSU Award, a Participant is an unsecured creditor of the Company with respect to the Company's unfunded obligation, if any, to issue shares of Class A Common Stock in settlement of such Award and nothing contained in the Plan or any RSU Agreement, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind or a fiduciary relationship between a Participant and the Company or an Affiliate or any other person. A Participant will not have voting or any other rights as a stockholder of the Company with respect to any RSU Award (unless and until shares are actually issued in settlement of a vested RSU Award).

**(ii) Consideration.**

**(1)** RSA: A Restricted Stock Award may be granted in consideration for (A) cash or check, bank draft or money order payable to the Company, (B) past services to the Company or an Affiliate, or (C) any other form of consideration as the Board may determine and permissible under Applicable Law.

**(2)** RSU: Unless otherwise determined by the Board at the time of grant, a RSU Award will be granted in consideration for the Participant's services to the Company or an Affiliate, such that the Participant will not be required to make any payment to the Company (other than such services) with respect to the grant or vesting of the RSU Award, or the issuance of any shares of Class A Common Stock pursuant to the RSU Award. If, at the time of grant, the Board determines that any consideration must be paid by the Participant (in a form other than the Participant's services to the Company or an Affiliate) upon the issuance of any shares of Class A Common Stock in settlement of the RSU Award, such consideration may be paid in any form of consideration as the Board may determine and permissible under Applicable Law.

**(iii) Vesting.** The Board may impose such restrictions on or conditions to the vesting of a Restricted Stock Award or RSU Award as determined by the Board. Except as otherwise provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate, vesting of Restricted Stock Awards and RSU Awards will cease upon termination of the Participant's Continuous Service.

**(iv) Termination of Continuous Service.** Except as otherwise provided in the Award Agreement or other written agreement between a Participant and the Company or an Affiliate, if a Participant's Continuous Service terminates for any reason, (i) the Company may receive through a forfeiture condition or a repurchase right any or all of the shares of Class A Common Stock held by the

Participant under his or her Restricted Stock Award that have not vested as of the date of such termination as set forth in the Restricted Stock Award Agreement and (ii) any portion of his or her RSU Award that has not vested will be forfeited upon such termination and the Participant will have no further right, title or interest in the RSU Award, the shares of Class A Common Stock issuable pursuant to the RSU Award, or any consideration in respect of the RSU Award.

**(v) Dividends and Dividend Equivalents.** Dividends or dividend equivalents may be paid or credited, as applicable, with respect to any shares of Class A Common Stock subject to a Restricted Stock Award or RSU Award, as determined by the Board and specified in the Award Agreement).

**(vi) Settlement of RSU Awards**. A RSU Award may be settled by the issuance of shares of Class A Common Stock or cash (or any combination thereof) or in any other form of payment, as determined by the Board and specified in the RSU Award Agreement. At the time of grant, the Board may determine to impose such restrictions or conditions that delay such delivery to a date following the vesting of the RSU Award.

**(b) Performance Awards**. With respect to any Performance Award, the length of any Performance Period, the Performance Goals to be achieved during the Performance Period, the other terms and conditions of such Award, and the measure of whether and to what degree such Performance Goals have been attained will be determined by the Board.

**(c) Other Awards**. Other Awards may be granted either alone or in addition to Awards provided for under Section 4 and the preceding provisions of this Section 5. Subject to the provisions of the Plan, the Board will have sole and complete discretion to determine the persons to whom and the time or times at which such Other Awards will be granted, the number of shares of Class A Common Stock (or the cash equivalent thereof) to be granted pursuant to such Other Awards and all other terms and conditions of such Other Awards.

**6. ADJUSTMENTS UPON CHANGES IN CLASS A COMMON STOCK; OTHER CORPORATE EVENTS.**

**(a) Capitalization Adjustments**. In the event of a Capitalization Adjustment, the Board shall appropriately and proportionately adjust: (i) the class(es) and maximum number of shares of Class A Common Stock subject to the Plan and the maximum number of shares by which the Share Reserve may annually increase pursuant to Section 2(a), (ii) the class(es) and maximum number of shares that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 2(a), and (iii) the class(es) and number of securities and exercise price, strike price or purchase price of Class A Common Stock subject to outstanding Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. Notwithstanding the foregoing, no fractional shares or rights for fractional shares of Class A Common Stock shall be created in order to implement any Capitalization Adjustment. The Board shall determine an equivalent benefit for any fractional shares or fractional shares that might be created by the adjustments referred to in the preceding provisions of this Section.

**(b) Dissolution or Liquidation**. Except as otherwise provided in the Award Agreement, in the event of a dissolution or liquidation of the Company, all outstanding Awards (other than Awards consisting of vested and outstanding shares of Class A Common Stock not subject to a forfeiture condition or the Company's right of repurchase) will terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Class A Common Stock subject to the Company's

repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the holder of such Award is providing Continuous Service, provided, however, that the Board may determine to cause some or all Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

**(c) Corporate Transaction.** The following provisions will apply to Awards in the event of a Corporate Transaction except as set forth in Section 11, and unless otherwise provided in the instrument evidencing the Award or any other written agreement between the Company or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant of an Award.

**(i) Awards May Be Assumed.** In the event of a Corporate Transaction, any surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) may assume or continue any or all Awards outstanding under the Plan or may substitute similar awards for Awards outstanding under the Plan (including but not limited to, awards to acquire the same consideration paid to the stockholders of the Company pursuant to the Corporate Transaction), and any reacquisition or repurchase rights held by the Company in respect of Class A Common Stock issued pursuant to Awards may be assigned by the Company to the successor of the Company (or the successor's parent company, if any), in connection with such Corporate Transaction. A surviving corporation or acquiring corporation (or its parent) may choose to assume or continue only a portion of an Award or substitute a similar award for only a portion of an Award, or may choose to assume or continue the Awards held by some, but not all Participants. The terms of any assumption, continuation or substitution will be set by the Board.

**(ii) Awards Held by Current Participants.** In the event of a Corporate Transaction in which the surviving corporation or acquiring corporation (or its parent company) does not assume or continue such outstanding Awards or substitute similar awards for such outstanding Awards, then with respect to Awards that have not been assumed, continued or substituted and that are held by Participants whose Continuous Service has not terminated prior to the effective time of the Corporate Transaction (referred to as the "**Current Participants**"), the vesting of such Awards (and, with respect to Options and Stock Appreciation Rights, the time when such Awards may be exercised) will be accelerated in full to a date prior to the effective time of such Corporate Transaction (contingent upon the effectiveness of the Corporate Transaction) as the Board determines (or, if the Board does not determine such a date, to the date that is five days prior to the effective time of the Corporate Transaction), and such Awards will terminate if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction, and any reacquisition or repurchase rights held by the Company with respect to such Awards will lapse (contingent upon the effectiveness of the Corporate Transaction). With respect to the vesting of Performance Awards that will accelerate upon the occurrence of a Corporate Transaction pursuant to this subsection (ii) and that have multiple vesting levels depending on the level of performance, unless otherwise provided in the Award Agreement, the vesting of such Performance Awards will accelerate at 100% of the target level upon the occurrence of the Corporate Transaction. With respect to the vesting of Awards that will accelerate upon the occurrence of a Corporate Transaction pursuant to this subsection (ii) and are settled in the form of a cash payment, such cash payment will be made no later than 30 days following the occurrence of the Corporate Transaction.

**(iii) Awards Held by Persons other than Current Participants.** In the event of a Corporate Transaction in which the surviving corporation or acquiring corporation (or its parent company) does not assume or continue such outstanding Awards or substitute similar awards for such outstanding Awards, then with respect to Awards that have not been assumed, continued or substituted

and that are held by persons other than Current Participants, such Awards will terminate if not exercised (if applicable) prior to the occurrence of the Corporate Transaction; provided, however, that any reacquisition or repurchase rights held by the Company with respect to such Awards will not terminate and may continue to be exercised notwithstanding the Corporate Transaction.

**(iv) Payment for Awards in Lieu of Exercise.** Notwithstanding the foregoing, in the event an Award will terminate if not exercised prior to the effective time of a Corporate Transaction, the Board may provide, in its sole discretion, that the holder of such Award may not exercise such Award but will receive a payment, in such form as may be determined by the Board, equal in value, at the effective time, to the excess, if any, of (1) the value of the property the Participant would have received upon the exercise of the Award (including, at the discretion of the Board, any unvested portion of such Award), over (2) any exercise price payable by such holder in connection with such exercise.

**(d) Appointment of Stockholder Representative.** As a condition to the receipt of an Award under this Plan, a Participant will be deemed to have agreed that the Award will be subject to the terms of any agreement governing a Corporate Transaction involving the Company, including, without limitation, a provision for the appointment of a stockholder representative that is authorized to act on the Participant's behalf with respect to any escrow, indemnities and any contingent consideration.

**(e) No Restriction on Right to Undertake Transactions**. The grant of any Award under the Plan and the issuance of shares pursuant to any Award does not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, rights or options to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Class A Common Stock or the rights thereof or which are convertible into or exchangeable for Class A Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

## 7. ADMINISTRATION.

**(a) Administration by Board.** The Board will administer the Plan unless and until the Board delegates administration of the Plan to a Committee or Committees, as provided in subsection (c) below.

**(b) Powers of Board.** The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:

**(i)** To determine from time to time: (1) which of the persons eligible under the Plan will be granted Awards; (2) when and how each Award will be granted; (3) what type or combination of types of Award will be granted; (4) the provisions of each Award granted (which need not be identical), including the time or times when a person will be permitted to receive an issuance of Class A Common Stock or other payment pursuant to an Award; (5) the number of shares of Class A Common Stock or cash equivalent with respect to which an Award will be granted to each such person; (6) the Fair Market Value applicable to an Award; and (7) the terms of any Performance Award that is not valued in whole or

in part by reference to, or otherwise based on, the Class A Common Stock, including the amount of cash payment or other property that may be earned and the timing of payment.

**(ii)** To construe and interpret the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Award Agreement, in a manner and to the extent it deems necessary or expedient to make the Plan or Award fully effective.

**(iii)** To settle all controversies regarding the Plan and Awards granted under it.

**(iv)** To accelerate the time at which an Award may first be exercised or the time during which an Award or any part thereof will vest, notwithstanding the provisions in the Award Agreement stating the time at which it may first be exercised or the time during which it will vest.

**(v)** To prohibit the exercise of any Option, SAR or other exercisable Award during a period of up to 30 days prior to the consummation of any pending stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the shares of Class A Common Stock or the share price of the Class A Common Stock including any Corporate Transaction, for reasons of administrative convenience.

**(vi)** To suspend or terminate the Plan at any time. Suspension or termination of the Plan will not Materially Impair rights and obligations under any Award granted while the Plan is in effect except with the written consent of the affected Participant.

**(vii)** To amend the Plan in any respect the Board deems necessary or advisable; provided, however, that stockholder approval will be required for any amendment to the extent required by Applicable Law. Except as provided above, rights under any Award granted before amendment of the Plan will not be Materially Impaired by any amendment of the Plan unless (1) the Company requests the consent of the affected Participant, and (2) such Participant consents in writing.

**(viii)** To submit any amendment to the Plan for stockholder approval.

**(ix)** To approve forms of Award Agreements for use under the Plan and to amend the terms of any one or more Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Award Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; provided however, that, a Participant's rights under any Award will not be Materially Impaired by any such amendment unless (1) the Company requests the consent of the affected Participant, and (2) such Participant consents in writing.

**(x)** Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Awards.

**(xi)** To adopt such procedures and sub-plans as are necessary or appropriate to permit and facilitate participation in the Plan by, or take advantage of specific tax treatment for Awards granted to, Employees, Directors or Consultants who are foreign nationals or employed outside the United States (provided that Board approval will not be necessary for immaterial modifications to the Plan or any Award Agreement to ensure or facilitate compliance with the laws of the relevant foreign jurisdiction).

**(xii)** To effect, at any time and from time to time, subject to the consent of any Participant whose Award is Materially Impaired by such action, (1) the reduction of the exercise price (or strike price) of any outstanding Option or SAR; (2) the cancellation of any outstanding Option or SAR and the grant in substitution therefor of (A) a new Option, SAR, Restricted Stock Award, RSU Award or Other Award, under the Plan or another equity plan of the Company, covering the same or a different number of shares of Class A Common Stock, (B) cash and/or (C) other valuable consideration (as determined by the Board); or (3) any other action that is treated as a repricing under generally accepted accounting principles.

**(c) Delegation to Committee.**

**(i) General.** The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to another Committee or a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. Each Committee may retain the authority to concurrently administer the Plan with Committee or subcommittee to which it has delegated its authority hereunder and may, at any time, revest in such Committee some or all of the powers previously delegated. The Board may retain the authority to concurrently administer the Plan with any Committee and may, at any time, revest in the Board some or all of the powers previously delegated.

**(ii) Rule 16b-3 Compliance.** To the extent an Award is intended to qualify for the exemption from Section 16(b) of the Exchange Act that is available under Rule 16b-3 of the Exchange Act, the Award will be granted by the Board or a Committee that consists solely of two or more Non-Employee Directors, as determined under Rule 16b-3(b)(3) of the Exchange Act and thereafter any action establishing or modifying the terms of the Award will be approved by the Board or a Committee meeting such requirements to the extent necessary for such exemption to remain available.

**(d) Effect of Board's Decision.** All determinations, interpretations and constructions made by the Board or any Committee in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

**(e) Delegation to an Officer.** The Board or any Committee may delegate to one or more Officers the authority to do one or both of the following (i) designate Employees who are not Officers to be recipients of Options and SARs (and, to the extent permitted by Applicable Law, other types of Awards) and, to the extent permitted by Applicable Law, the terms thereof, and (ii) determine the number of shares of Class A Common Stock to be subject to such Awards granted to such Employees; provided, however, that the resolutions or charter adopted by the Board or any Committee evidencing such delegation will specify the total number of shares of Class A Common Stock that may be subject to the Awards granted by such Officer and that such Officer may not grant an Award to himself or herself. Any such Awards will be granted on the applicable form of Award Agreement most recently approved for use by the Board or the Committee, unless otherwise provided in the resolutions approving the delegation authority. Notwithstanding anything to the contrary herein, neither the Board nor any Committee may delegate to an Officer who is acting solely in the capacity of an Officer (and not also as a Director) the authority to determine the Fair Market Value.

## 8. TAX WITHHOLDING

**(a) Withholding Authorization.** As a condition to acceptance of any Award under the Plan, a Participant authorizes withholding from payroll and any other amounts payable to such Participant, and otherwise agree to make adequate provision for (including), any sums required to satisfy any U.S. federal, state, local and/or foreign tax or social insurance contribution withholding obligations of the Company or an Affiliate, if any, which arise in connection with the exercise, vesting or settlement of such Award, as applicable. Accordingly, a Participant may not be able to exercise an Award even though the Award is vested, and the Company shall have no obligation to issue shares of Class A Common Stock subject to an Award, unless and until such obligations are satisfied.

**(b) Satisfaction of Withholding Obligation.** To the extent permitted by the terms of an Award Agreement, the Company may, in its sole discretion, satisfy any U.S. federal, state, local and/or foreign tax or social insurance withholding obligation relating to an Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Class A Common Stock from the shares of Class A Common Stock issued or otherwise issuable to the Participant in connection with the Award; (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; (v) by allowing a Participant to effectuate a "cashless exercise" pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board, or (vi) by such other method as may be set forth in the Award Agreement.

**(c) No Obligation to Notify or Minimize Taxes; No Liability to Claims.** Except as required by Applicable Law the Company has no duty or obligation to any Participant to advise such holder as to the time or manner of exercising such Award. Furthermore, the Company has no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of an Award to the holder of such Award and will not be liable to any holder of an Award for any adverse tax consequences to such holder in connection with an Award. As a condition to accepting an Award under the Plan, each Participant (i) agrees to not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to tax liabilities arising from such Award or other Company compensation and (ii) acknowledges that such Participant was advised to consult with his or her own personal tax, financial and other legal advisors regarding the tax consequences of the Award and has either done so or knowingly and voluntarily declined to do so. Additionally, each Participant acknowledges any Option or SAR granted under the Plan is exempt from Section 409A only if the exercise or strike price is at least equal to the "fair market value" of the Class A Common Stock on the date of grant as determined by the Internal Revenue Service and there is no other impermissible deferral of compensation associated with the Award. Additionally, as a condition to accepting an Option or SAR granted under the Plan, each Participant agrees not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates in the event that the Internal Revenue Service asserts that such exercise price or strike price is less than the "fair market value" of the Class A Common Stock on the date of grant as subsequently determined by the Internal Revenue Service.

**(d) Withholding Indemnification.** As a condition to accepting an Award under the Plan, in the event that the amount of the Company's and/or its Affiliate's withholding obligation in connection with such Award was greater than the amount actually withheld by the Company and/or its Affiliates, each Participant agrees to indemnify and hold the Company and/or its Affiliates harmless from any failure by the Company and/or its Affiliates to withhold the proper amount.

**9. MISCELLANEOUS.**

**(a) Source of Shares.** The stock issuable under the Plan will be shares of authorized but unissued or reacquired Class A Common Stock, including shares repurchased by the Company on the open market or otherwise.

**(b) Use of Proceeds from Sales of Class A Common Stock.** Proceeds from the sale of shares of Class A Common Stock pursuant to Awards will constitute general funds of the Company.

**(c) Corporate Action Constituting Grant of Awards.** Corporate action constituting a grant by the Company of an Award to any Participant will be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action approving the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those in the Award Agreement or related grant documents as a result of a clerical error in the Award Agreement or related grant documents, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Agreement or related grant documents.

**(d) Stockholder Rights.** No Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Class A Common Stock subject to such Award unless and until (i) such Participant has satisfied all requirements for exercise of the Award pursuant to its terms, if applicable, and (ii) the issuance of the Class A Common Stock subject to such Award is reflected in the records of the Company.

**(e) No Employment or Other Service Rights.** Nothing in the Plan, any Award Agreement or any other instrument executed thereunder or in connection with any Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or affect the right of the Company or an Affiliate to terminate at will and without regard to any future vesting opportunity that a Participant may have with respect to any Award (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state or foreign jurisdiction in which the Company or the Affiliate is incorporated, as the case may be. Further, nothing in the Plan, any Award Agreement or any other instrument executed thereunder or in connection with any Award will constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or service or confer any right or benefit under the Award or the Plan unless such right or benefit has specifically accrued under the terms of the Award Agreement and/or Plan.

**(f) Change in Time Commitment**. In the event a Participant's regular level of time commitment in the performance of his or her services for the Company and any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee or takes an extended leave of absence) after the date of grant of any Award to the Participant, the Board may determine, to the extent permitted by Applicable Law, to (i) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of

such change in time commitment, and (ii) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended.

**(g) Execution of Additional Documents.** As a condition to accepting an Award under the Plan, the Participant agrees to execute any additional documents or instruments necessary or desirable, as determined in the Plan Administrator's sole discretion, to carry out the purposes or intent of the Award, or facilitate compliance with securities and/or other regulatory requirements, in each case at the Plan Administrator's request.

**(h) Electronic Delivery and Participation**. Any reference herein or in an Award Agreement to a "written" agreement or document will include any agreement or document delivered electronically, filed publicly at www.sec.gov (or any successor website thereto) or posted on the Company's intranet (or other shared electronic medium controlled by the Company to which the Participant has access). By accepting any Award the Participant consents to receive documents by electronic delivery and to participate in the Plan through any on-line electronic system established and maintained by the Plan Administrator or another third party selected by the Plan Administrator. The form of delivery of any Class A Common Stock (e.g., a stock certificate or electronic entry evidencing such shares) shall be determined by the Company.

**(i) Clawback/Recovery**. All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other Applicable Law and any clawback policy that the Company otherwise adopts, to the extent applicable and permissible under Applicable Law. In addition, the Board may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Board determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired shares of Class A Common Stock or other cash or property upon the occurrence of Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a Participant's right to voluntary terminate employment upon a "resignation for good reason," or for a "constructive termination" or any similar term under any plan of or agreement with the Company.

**(j) Securities Law Compliance.** A Participant will not be issued any shares in respect of an Award unless either (i) the shares are registered under the Securities Act; or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Each Award also must comply with other Applicable Law governing the Award, and a Participant will not receive such shares if the Company determines that such receipt would not be in material compliance with Applicable Law.

**(k) Transfer or Assignment of Awards; Issued Shares.** Except as expressly provided in the Plan or the form of Award Agreement, Awards granted under the Plan may not be transferred or assigned by the Participant. After the vested shares subject to an Award have been issued, or in the case of Restricted Stock and similar awards, after the issued shares have vested, the holder of such shares is free to assign, hypothecate, donate, encumber or otherwise dispose of any interest in such shares provided that any such actions are in compliance with the provisions herein, the terms of the Trading Policy and Applicable Law.

**(l) Effect on Other Employee Benefit Plans.** The value of any Award granted under the Plan, as determined upon grant, vesting or settlement, shall not be included as compensation, earnings, salaries, or other similar terms used when calculating any Participant's benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company's or any Affiliate's employee benefit plans.

**(m) Deferrals.** To the extent permitted by Applicable Law, the Board, in its sole discretion, may determine that the delivery of Class A Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Award may be deferred and may also establish programs and procedures for deferral elections to be made by Participants. Deferrals by will be made in accordance with the requirements of Section 409A.

**(n) Section 409A.** Unless otherwise expressly provided for in an Award Agreement, the Plan and Award Agreements will be interpreted to the greatest extent possible in a manner that makes the Plan and the Awards granted hereunder exempt from Section 409A, and, to the extent not so exempt, in compliance with the requirements of Section 409A. If the Board determines that any Award granted hereunder is not exempt from and is therefore subject to Section 409A, the Award Agreement evidencing such Award will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code, and to the extent an Award Agreement is silent on terms necessary for compliance, such terms are hereby incorporated by reference into the Award Agreement. Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement specifically provides otherwise), if the shares of Class A Common Stock are publicly traded, and if a Participant holding an Award that constitutes "deferred compensation" under Section 409A is a "specified employee" for purposes of Section 409A, no distribution or payment of any amount that is due because of a "separation from service" (as defined in Section 409A without regard to alternative definitions thereunder) will be issued or paid before the date that is six months and one day following the date of such Participant's "separation from service" or, if earlier, the date of the Participant's death, unless such distribution or payment can be made in a manner that complies with Section 409A, and any amounts so deferred will be paid in a lump sum on the day after such six month period elapses, with the balance paid thereafter on the original schedule.

**(o) Choice of Law.** This Plan and any controversy arising out of or relating to this Plan shall be governed by, and construed in accordance with, the internal laws of the State of Delaware, without regard to conflict of law principles that would result in any application of any law other than the law of the State of Delaware.

**10. COVENANTS OF THE COMPANY.**

**(a) Compliance with Law.** The Company will seek to obtain from each regulatory commission or agency, as may be deemed to be necessary, having jurisdiction over the Plan such authority as may be required to grant Awards and to issue and sell shares of Class A Common Stock upon exercise or vesting of the Awards; provided, however, that this undertaking will not require the Company to register under the Securities Act the Plan, any Award or any Class A Common Stock issued or issuable pursuant to any such Award. If, after reasonable efforts and at a reasonable cost, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary or advisable for the lawful issuance and sale of Class A Common Stock under the Plan, the Company will be relieved from any liability for failure to issue and sell Class A Common Stock upon exercise or vesting of such Awards unless and until such authority is obtained. A Participant is not

eligible for the grant of an Award or the subsequent issuance of Class A Common Stock pursuant to the Award if such grant or issuance would be in violation of any Applicable Law.

**11. ADDITIONAL RULES FOR AWARDS SUBJECT TO SECTION 409A.**

**(a) Application.** Unless the provisions of this Section of the Plan are expressly superseded by the provisions in the form of Award Agreement, the provisions of this Section shall apply and shall supersede anything to the contrary set forth in the Award Agreement for a Non-Exempt Award.

**(b) Non-Exempt Awards Subject to Non-Exempt Severance Arrangements.** To the extent a Non-Exempt Award is subject to Section 409A due to application of a Non-Exempt Severance Arrangement, the following provisions of this subsection (b) apply.

**(i)** If the Non-Exempt Award vests in the ordinary course during the Participant's Continuous Service in accordance with the vesting schedule set forth in the Award Agreement, and does not accelerate vesting under the terms of a Non-Exempt Severance Arrangement, in no event will the shares be issued in respect of such Non-Exempt Award any later than the later of: (i) December 31st of the calendar year that includes the applicable vesting date, or (ii) the 60th day that follows the applicable vesting date.

**(ii)** If vesting of the Non-Exempt Award accelerates under the terms of a Non-Exempt Severance Arrangement in connection with the Participant's Separation from Service, and such vesting acceleration provisions were in effect as of the date of grant of the Non-Exempt Award and, therefore, are part of the terms of such Non-Exempt Award as of the date of grant, then the shares will be earlier issued in settlement of such Non-Exempt Award upon the Participant's Separation from Service in accordance with the terms of the Non-Exempt Severance Arrangement, but in no event later than the 60th day that follows the date of the Participant's Separation from Service. However, if at the time the shares would otherwise be issued the Participant is subject to the distribution limitations contained in Section 409A applicable to "specified employees," as defined in Section 409A(a)(2)(B)(i) of the Code, such shares shall not be issued before the date that is six months following the date of such Participant's Separation from Service, or, if earlier, the date of the Participant's death that occurs within such six month period.

**(iii)** If vesting of a Non-Exempt Award accelerates under the terms of a Non-Exempt Severance Arrangement in connection with a Participant's Separation from Service, and such vesting acceleration provisions were not in effect as of the date of grant of the Non-Exempt Award and, therefore, are not a part of the terms of such Non-Exempt Award on the date of grant, then such acceleration of vesting of the Non-Exempt Award shall not accelerate the issuance date of the shares, but the shares shall instead be issued on the same schedule as set forth in the Grant Notice as if they had vested in the ordinary course during the Participant's Continuous Service, notwithstanding the vesting acceleration of the Non-Exempt Award. Such issuance schedule is intended to satisfy the requirements of payment on a specified date or pursuant to a fixed schedule, as provided under Treasury Regulations Section 1.409A-3(a)(4).

**(c) Treatment of Non-Exempt Awards Upon a Corporate Transaction for Employees and Consultants.** The provisions of this subsection (c) shall apply and shall supersede anything to the contrary set forth in the Plan with respect to the permitted treatment of any Non-Exempt Award in

connection with a Corporate Transaction if the Participant was either an Employee or Consultant upon the applicable date of grant of the Non-Exempt Award.

**(i) Vested Non-Exempt Awards.** The following provisions shall apply to any Vested Non-Exempt Award in connection with a Corporate Transaction:

**(1)** If the Corporate Transaction is also a Section 409A Change in Control then the Acquiring Entity may not assume, continue or substitute the Vested Non-Exempt Award. Upon the Section 409A Change in Control the settlement of the Vested Non-Exempt Award will automatically be accelerated and the shares will be immediately issued in respect of the Vested Non-Exempt Award. Alternatively, the Company may instead provide that the Participant will receive a cash settlement equal to the Fair Market Value of the shares that would otherwise be issued to the Participant upon the Section 409A Change in Control.

**(2)** If the Corporate Transaction is not also a Section 409A Change in Control, then the Acquiring Entity must either assume, continue or substitute each Vested Non-Exempt Award. The shares to be issued in respect of the Vested Non-Exempt Award shall be issued to the Participant by the Acquiring Entity on the same schedule that the shares would have been issued to the Participant if the Corporate Transaction had not occurred. In the Acquiring Entity's discretion, in lieu of an issuance of shares, the Acquiring Entity may instead substitute a cash payment on each applicable issuance date, equal to the Fair Market Value of the shares that would otherwise be issued to the Participant on such issuance dates, with the determination of the Fair Market Value of the shares made on the date of the Corporate Transaction.

**(ii) Unvested Non-Exempt Awards.** The following provisions shall apply to any Unvested Non-Exempt Award unless otherwise determined by the Board pursuant to subsection (e) of this Section.

**(1)** In the event of a Corporate Transaction, the Acquiring Entity shall assume, continue or substitute any Unvested Non-Exempt Award. Unless otherwise determined by the Board, any Unvested Non-Exempt Award will remain subject to the same vesting and forfeiture restrictions that were applicable to the Award prior to the Corporate Transaction. The shares to be issued in respect of any Unvested Non-Exempt Award shall be issued to the Participant by the Acquiring Entity on the same schedule that the shares would have been issued to the Participant if the Corporate Transaction had not occurred. In the Acquiring Entity's discretion, in lieu of an issuance of shares, the Acquiring Entity may instead substitute a cash payment on each applicable issuance date, equal to the Fair Market Value of the shares that would otherwise be issued to the Participant on such issuance dates, with the determination of Fair Market Value of the shares made on the date of the Corporate Transaction.

**(2)** If the Acquiring Entity will not assume, substitute or continue any Unvested Non-Exempt Award in connection with a Corporate Transaction, then such Award shall automatically terminate and be forfeited upon the Corporate Transaction with no consideration payable to any Participant in respect of such forfeited Unvested Non-Exempt Award. Notwithstanding the foregoing, to the extent permitted and in compliance with the requirements of Section 409A, the Board may in its discretion determine to elect to accelerate the vesting and settlement of the Unvested Non-Exempt Award upon the Corporate Transaction, or instead substitute a cash payment equal to the Fair Market Value of such shares that would otherwise be issued to the Participant, as further provided in subsection (e)(ii) below. In the absence of such discretionary election by the Board, any Unvested Non-Exempt Award shall be forfeited without payment of any consideration to the affected Participants if the

Acquiring Entity will not assume, substitute or continue the Unvested Non-Exempt Awards in connection with the Corporate Transaction.

**(3)** The foregoing treatment shall apply with respect to all Unvested Non-Exempt Awards upon any Corporate Transaction, and regardless of whether or not such Corporate Transaction is also a Section 409A Change in Control.

**(d) Treatment of Non-Exempt Awards Upon a Corporate Transaction for Non-Employee Directors.** The following provisions of this subsection (d) shall apply and shall supersede anything to the contrary that may be set forth in the Plan with respect to the permitted treatment of a Non-Exempt Director Award in connection with a Corporate Transaction.

**(i)** If the Corporate Transaction is also a Section 409A Change in Control then the Acquiring Entity may not assume, continue or substitute the Non-Exempt Director Award. Upon the Section 409A Change in Control the vesting and settlement of any Non-Exempt Director Award will automatically be accelerated and the shares will be immediately issued to the Participant in respect of the Non-Exempt Director Award. Alternatively, the Company may provide that the Participant will instead receive a cash settlement equal to the Fair Market Value of the shares that would otherwise be issued to the Participant upon the Section 409A Change in Control pursuant to the preceding provision.

**(ii)** If the Corporate Transaction is not also a Section 409A Change in Control, then the Acquiring Entity must either assume, continue or substitute the Non-Exempt Director Award. Unless otherwise determined by the Board, the Non-Exempt Director Award will remain subject to the same vesting and forfeiture restrictions that were applicable to the Award prior to the Corporate Transaction. The shares to be issued in respect of the Non-Exempt Director Award shall be issued to the Participant by the Acquiring Entity on the same schedule that the shares would have been issued to the Participant if the Corporate Transaction had not occurred. In the Acquiring Entity's discretion, in lieu of an issuance of shares, the Acquiring Entity may instead substitute a cash payment on each applicable issuance date, equal to the Fair Market Value of the shares that would otherwise be issued to the Participant on such issuance dates, with the determination of Fair Market Value made on the date of the Corporate Transaction.

**(e)** If the RSU Award is a Non-Exempt Award, then the provisions in this Section 11(e) shall apply and supersede anything to the contrary that may be set forth in the Plan or the Award Agreement with respect to the permitted treatment of such Non-Exempt Award:

**(i)** Any exercise by the Board of discretion to accelerate the vesting of a Non-Exempt Award shall not result in any acceleration of the scheduled issuance dates for the shares in respect of the Non-Exempt Award unless earlier issuance of the shares upon the applicable vesting dates would be in compliance with the requirements of Section 409A.

**(ii)** The Company explicitly reserves the right to earlier settle any Non-Exempt Award to the extent permitted and in compliance with the requirements of Section 409A, including pursuant to any of the exemptions available in Treasury Regulations Section 1.409A-3(j)(4)(ix).

**(iii)** To the extent the terms of any Non-Exempt Award provide that it will be settled upon a Change in Control or Corporate Transaction, to the extent it is required for compliance with the requirements of Section 409A, the Change in Control or Corporate Transaction event triggering settlement must also constitute a Section 409A Change in Control. To the extent the terms of a Non-Exempt Award provides that it will be settled upon a termination of employment or termination of

Continuous Service, to the extent it is required for compliance with the requirements of Section 409A, the termination event triggering settlement must also constitute a Separation From Service. However, if at the time the shares would otherwise be issued to a Participant in connection with a "separation from service" such Participant is subject to the distribution limitations contained in Section 409A applicable to "specified employees," as defined in Section 409A(a)(2)(B)(i) of the Code, such shares shall not be issued before the date that is six months following the date of the Participant's Separation From Service, or, if earlier, the date of the Participant's death that occurs within such six month period.

**(iv)** The provisions in this subsection (e) for delivery of the shares in respect of the settlement of a RSU Award that is a Non-Exempt Award are intended to comply with the requirements of Section 409A so that the delivery of the shares to the Participant in respect of such Non-Exempt Award will not trigger the additional tax imposed under Section 409A, and any ambiguities herein will be so interpreted.

## 12. SEVERABILITY.

If all or any part of the Plan or any Award Agreement is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of the Plan or such Award Agreement not declared to be unlawful or invalid. Any Section of the Plan or any Award Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

## 13. TERMINATION OF THE PLAN.

The Board may suspend or terminate the Plan at any time. No Incentive Stock Options may be granted after the tenth anniversary of the earlier of: (i) the Adoption Date, or (ii) the date the Plan is approved by the Company's stockholders. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

## 14. DEFINITIONS.

As used in the Plan, the following definitions apply to the capitalized terms indicated below:

**(a)** "***Acquiring Entity***" means the surviving or acquiring corporation (or its parent company) in connection with a Corporate Transaction.

**(b)** "***Adoption Date***" means the date the Plan is first approved by the Board or Compensation Committee.

**(c)** "***Affiliate***" means, at the time of determination, any "parent" or "subsidiary" of the Company as such terms are defined in Rule 405 promulgated under the Securities Act. The Board may determine the time or times at which "parent" or "subsidiary" status is determined within the foregoing definition.

**(d)** "***Applicable Law***" means shall mean any applicable securities, federal, state, foreign, material local or municipal or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, listing rule, regulation, judicial decision, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any

Governmental Body (including under the authority of any applicable self-regulating organization such as the Nasdaq Stock Market, New York Stock Exchange, or the Financial Industry Regulatory Authority).

**(e)** "***Award***" means any right to receive Class A Common Stock, cash or other property granted under the Plan (including an Incentive Stock Option, a Nonstatutory Stock Option, a Restricted Stock Award, a RSU Award, a SAR, a Performance Award or any Other Award).

**(f)** "***Award Agreement***" means a written agreement between the Company and a Participant evidencing the terms and conditions of an Award. The Award Agreement generally consists of the Grant Notice and the agreement containing the written summary of the general terms and conditions applicable to the Award and which is provided to a Participant along with the Grant Notice.

**(g)** "***Board***" means the Board of Directors of the Company (or its designee). Any decision or determination made by the Board shall be a decision or determination that is made in the sole discretion of the Board (or its designee), and such decision or determination shall be final and binding on all Participants.

**(h)** *"**Capitalization Adjustment***" means any change that is made in, or other events that occur with respect to, the Class A Common Stock subject to the Plan or subject to any Award after the Effective Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, reverse stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

**(i)** "***Capital Stock***" means the Class A Common Stock and the Class B Common Stock.

**(j)** "***Cause***" has the meaning ascribed to such term in any written agreement between the Participant and the Company defining such term and, in the absence of such agreement, such term means, with respect to a Participant, the occurrence of any of the following events: (i) such Participant's attempted commission of, or participation in, a fraud or act of dishonesty against the Company; (ii) such Participant's intentional, material violation of any contract or agreement between the Participant and the Company or of any statutory duty owed to the Company; (iii) such Participant's unauthorized use or disclosure of the Company's confidential information or trade secrets; or (iv) such Participant's gross misconduct. The determination that a termination of the Participant's Continuous Service is either for Cause or without Cause will be made by the Board with respect to Participants who are executive officers of the Company and by the Company's Chief Executive Officer with respect to Participants who are not executive officers of the Company. Any determination by the Company that the Continuous Service of a Participant was terminated with or without Cause for the purposes of outstanding Awards held by such Participant will have no effect upon any determination of the rights or obligations of the Company or such Participant for any other purpose.

**(k)** "***Change in Control***" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events; provided, however, to the extent

necessary to avoid adverse personal income tax consequences to the Participant in connection with an Award, also constitutes a Section 409A Change in Control:

**(i)** any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (A) on account of the acquisition of securities of the Company directly from the Company, (B) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities, or (C) solely because the level of Ownership held by any Exchange Act Person (the "***Subject Person***") exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control shall be deemed to occur;

**(ii)** there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing more than 50% of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than 50% of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such transaction;

**(iii)** the stockholders of the Company approve or the Board approves a plan of complete dissolution or liquidation of the Company, or a complete dissolution or liquidation of the Company shall otherwise occur, except for a liquidation into a parent corporation;

**(iv)** there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than 50% of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license or other disposition; or

**(v)** individuals who, on the date the Plan is adopted by the Board, are members of the Board (the "***Incumbent Board***") cease for any reason to constitute at least a majority of the members of the Board; provided, however, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member shall, for purposes of this Plan, be considered as a member of the Incumbent Board.

Notwithstanding the foregoing or any other provision of this Plan, (A) the term Change in Control shall not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company, and (B) the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Participant shall supersede the foregoing definition with respect to Awards subject to such agreement; provided, however, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition shall apply.

**(l)** "***Class A Common Stock***" means Class A common stock of the Company.

**(m)** "***Class B Common Stock***" means Class B common stock of the Company.

**(n)** "***Code***" means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

**(o)** "***Committee***" means the Compensation Committee and any other committee of one or more Directors to whom authority has been delegated by the Board or Compensation Committee in accordance with the Plan.

**(p)** "***Company***" means Root, Inc., a Delaware corporation.

**(q)** "***Compensation Committee***" means the Compensation Committee of the Board.

**(r)** "***Consultant***" means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, will not cause a Director to be considered a "Consultant" for purposes of the Plan. Notwithstanding the foregoing, a person is treated as a Consultant under this Plan only if a Form S-8 Registration Statement under the Securities Act is available to register either the offer or the sale of the Company's securities to such person.

**(s)** "***Continuous Service***" means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Director or Consultant or a change in the Entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's service with the Company or an Affiliate, will not terminate a Participant's Continuous Service; provided, however, that if the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board, such Participant's Continuous Service will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or to a Director will not constitute an interruption of Continuous Service. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service will be considered interrupted in the case of (i) any leave of absence approved by the Board or chief executive officer, including sick leave, military leave or any other personal leave, or (ii) transfers between the Company, an Affiliate, or their successors. Notwithstanding the foregoing, a leave of absence will be treated as Continuous Service for purposes of vesting in an Award only to such extent as may be provided in the Company's leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law. In addition, to the extent required for exemption from or compliance with Section 409A, the determination of whether there has been a termination of Continuous Service will be

made, and such term will be construed, in a manner that is consistent with the definition of "separation from service" as defined under Treasury Regulation Section 1.409A-1(h) (without regard to any alternative definition thereunder).

**(t)** "***Corporate Transaction***" means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:

**(i)** a sale or other disposition of all or substantially all, as determined by the Board, of the consolidated assets of the Company and its Subsidiaries;

**(ii)** a sale or other disposition of at least 50% of the outstanding securities of the Company;

**(iii)** a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or

**(iv)** a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Capital Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

**(u)** "***Director***" means a member of the Board.

**(v)** "***determine***" ***or*** "***determined***" means as determined by the Board or the Committee (or its designee) in its sole discretion.

**(w)** "***Disability***" means, with respect to a Participant, such Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, as provided in Section 22(e)(3) of the Code, and will be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

**(x)** "***Effective Date***" means the IPO Date, provided this Plan is approved by the Company's stockholders prior to the IPO Date.

**(y)** "***Employee***" means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an "Employee" for purposes of the Plan.

**(z)** "***Employer***" means the Company or the Affiliate of the Company that employs the Participant.

**(aa)** "***Entity***" means a corporation, partnership, limited liability company or other entity.

**(bb)** "***Exchange Act***" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

**(cc)** "***Exchange Act Person***" means any natural person, Entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that "Exchange Act Person" will not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the

Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company; or (v) any natural person, Entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the Effective Date, is the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities.

**(dd)** "***Fair Market Value***" means, as of any date, unless otherwise determined by the Board, the value of the Class A Common Stock (as determined on a per share or aggregate basis, as applicable) determined as follows:

**(i)** If the Class A Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value will be the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Class A Common Stock) on the date of determination, as reported in a source the Board deems reliable.

**(ii)** If there is no closing sales price for the Class A Common Stock on the date of determination, then the Fair Market Value will be the closing selling price on the last preceding date for which such quotation exists.

**(iii)** In the absence of such markets for the Class A Common Stock, or if otherwise determined by the Board, the Fair Market Value will be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.

**(ee)** "***Governmental Body***" means any: (a) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government; (c) governmental or regulatory body, or quasi-governmental body of any nature (including any governmental division, department, administrative agency or bureau, commission, authority, instrumentality, official, ministry, fund, foundation, center, organization, unit, body or Entity and any court or other tribunal, and for the avoidance of doubt, any Tax authority) or other body exercising similar powers or authority; or (d) self-regulatory organization (including the Nasdaq Stock Market, New York Stock Exchange, and the Financial Industry Regulatory Authority).

**(ff)** "***Grant Notice***" means the notice provided to a Participant that he or she has been granted an Award under the Plan and which includes the name of the Participant, the type of Award, the date of grant of the Award, number of shares of Class A Common Stock subject to the Award or potential cash payment right, (if any), the vesting schedule for the Award (if any) and other key terms applicable to the Award.

**(gg)** "***Incentive Stock Option***" means an option granted pursuant to Section 4 of the Plan that is intended to be, and qualifies as, an "incentive stock option" within the meaning of Section 422 of the Code.

**(hh)** "***IPO Date***" means the date of the underwriting agreement between the Company and the underwriter(s) managing the initial public offering of the Class A Common Stock, pursuant to which the Class A Common Stock is priced for the initial public offering.

**(ii)** "***Materially Impair***" means any amendment to the terms of the Award that materially adversely affects the Participant's rights under the Award. A Participant's rights under an Award will not be deemed to have been Materially Impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant's rights. For example, the following types of amendments to the terms of an Award do not Materially Impair the Participant's rights under the Award: (i) imposition of reasonable restrictions on the minimum number of shares subject to an Option that may be exercised, (ii) to maintain the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (iii) to change the terms of an Incentive Stock Option in a manner that disqualifies, impairs or otherwise affects the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (iv) to clarify the manner of exemption from, or to bring the Award into compliance with or qualify it for an exemption from, Section 409A; or (v) to comply with other Applicable Laws.

**(jj)** "***Non-Employee Director***" means a Director who either (i) is not a current employee or officer of the Company or an Affiliate, does not receive compensation, either directly or indirectly, from the Company or an Affiliate for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("***Regulation S-K***")), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

**(kk)** "***Non-Exempt Award***" means any Award that is subject to, and not exempt from, Section 409A, including as the result of (i) a deferral of the issuance of the shares subject to the Award which is elected by the Participant or imposed by the Company or (ii) the terms of any Non-Exempt Severance Agreement.

**(ll)** "***Non-Exempt Director Award***" means a Non-Exempt Award granted to a Participant who was a Director but not an Employee on the applicable grant date.

**(mm)** ***Non-Exempt Severance Arrangement*** means a severance arrangement or other agreement between the Participant and the Company that provides for acceleration of vesting of an Award and issuance of the shares in respect of such Award upon the Participant's termination of employment or separation from service (as such term is defined in Section 409A(a)(2)(A)(i) of the Code (and without regard to any alternative definition thereunder) ("***Separation from Service***") and such severance benefit does not satisfy the requirements for an exemption from application of Section 409A provided under Treasury Regulations Section 1.409A-1(b)(4), 1.409A-1(b)(9) or otherwise.

**(nn)** "***Nonstatutory Stock Option***" means any option granted pursuant to Section 4 of the Plan that does not qualify as an Incentive Stock Option.

**(oo)** "***Officer***" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

**(pp)** "***Option***" means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Class A Common Stock granted pursuant to the Plan.

**(qq)** "***Option Agreement***" means a written agreement between the Company and the Optionholder evidencing the terms and conditions of the Option grant. The Option Agreement includes

the Grant Notice for the Option and the agreement containing the written summary of the general terms and conditions applicable to the Option and which is provided to a Participant along with the Grant Notice. Each Option Agreement will be subject to the terms and conditions of the Plan.

**(rr)** "***Optionholder***" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

**(ss)** "***Other Award***" means an award valued in whole or in part by reference to, or otherwise based on, Class A Common Stock, including the appreciation in value thereof (e.g., options or stock rights with an exercise price or strike price less than 100% of the Fair Market Value at the time of grant) that is not an Incentive Stock Options, Nonstatutory Stock Option, SAR, Restricted Stock Award, RSU Award or Performance Award.

**(tt)** "***Other Award Agreement***" means a written agreement between the Company and a holder of an Other Award evidencing the terms and conditions of an Other Award grant. Each Other Award Agreement will be subject to the terms and conditions of the Plan.

**(uu)** "***Own,***" "***Owned,***" "***Owner,***" "***Ownership***" means that a person or Entity will be deemed to "Own," to have "Owned," to be the "Owner" of, or to have acquired "Ownership" of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

**(vv)** "***Participant***" means an Employee, Director or Consultant to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Award.

**(ww)** "***Performance Award***" means an Award that may vest or may be exercised or a cash award that may vest or become earned and paid contingent upon the attainment during a Performance Period of certain Performance Goals and which is granted under the terms and conditions of Section 5(b) pursuant to such terms as are approved by the Board. In addition, to the extent permitted by Applicable Law and set forth in the applicable Award Agreement, the Board may determine that cash or other property may be used in payment of Performance Awards. Performance Awards that are settled in cash or other property are not required to be valued in whole or in part by reference to, or otherwise based on, the Class A Common Stock.

**(xx)** "***Performance Criteria***" means the one or more criteria that the Board will select for purposes of establishing the Performance Goals for a Performance Period. The Performance Criteria that will be used to establish such Performance Goals may be based on any one of, or combination of, the following as determined by the Board: earnings (including earnings per share and net earnings); earnings before interest, taxes and depreciation; earnings before interest, taxes, depreciation and amortization; total stockholder return; return on equity or average stockholder's equity; return on assets, investment, or capital employed; stock price; margin (including gross margin); income (before or after taxes); operating income; operating income after taxes; pre-tax profit; operating cash flow; sales or revenue targets; increases in revenue or product revenue; expenses and cost reduction goals; improvement in or attainment of working capital levels; economic value added (or an equivalent metric); market share; cash flow; cash flow per share; share price performance; debt reduction; customer satisfaction; stockholders' equity; capital expenditures; debt levels; operating profit or net operating profit; workforce diversity; growth of net income or operating income; billings; financing; regulatory milestones; stockholder liquidity; corporate governance and compliance; intellectual property; personnel matters; progress of internal

research; progress of partnered programs; partner satisfaction; budget management; partner or collaborator achievements; internal controls, including those related to the Sarbanes-Oxley Act of 2002; investor relations, analysts and communication; implementation or completion of projects or processes; employee retention; number of users, including unique users; strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property); establishing relationships with respect to the marketing, distribution and sale of the Company's products; supply chain achievements; co-development, co-marketing, profit sharing, joint venture or other similar arrangements; individual performance goals; corporate development and planning goals; and other measures of performance selected by the Board or Committee.

**(yy)** "***Performance Goals***" means, for a Performance Period, the one or more goals established by the Board for the Performance Period based upon the Performance Criteria. Performance Goals may be based on a Company-wide basis, with respect to one or more business units, divisions, Affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise by the Board (i) in the Award Agreement at the time the Award is granted or (ii) in such other document setting forth the Performance Goals at the time the Performance Goals are established, the Board will appropriately make adjustments in the method of calculating the attainment of Performance Goals for a Performance Period as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of items that are "unusual" in nature or occur "infrequently" as determined under generally accepted accounting principles; (6) to exclude the dilutive effects of acquisitions or joint ventures; (7) to assume that any business divested by the Company achieved performance objectives at targeted levels during the balance of a Performance Period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of Capital Stock of the Company by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (9) to exclude the effects of stock based compensation and the award of bonuses under the Company's bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to expensed under generally accepted accounting principles; and (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles. In addition, the Board retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for such Performance Period. Partial achievement of the specified criteria may result in the payment or vesting corresponding to the degree of achievement as specified in the Award Agreement or the written terms of a Performance Cash Award.

**(zz)** "***Performance Period***" means the period of time selected by the Board over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to vesting or exercise of an Award. Performance Periods may be of varying and overlapping duration, at the sole discretion of the Board.

**(aaa)** "***Plan***" means this Root, Inc. 2020 Equity Incentive Plan.

**(bbb)** "***Plan Administrator***" means the person, persons, and/or third-party administrator designated by the Company to administer the day to day operations of the Plan and the Company's other equity incentive programs.

**(ccc)** "***Post-Termination Exercise Period***" means the period following termination of a Participant's Continuous Service within which an Option or SAR is exercisable, as specified in Section 4(h).

**(ddd)** "***Prior Plan's Available Reserve***" means the number of shares available for the grant of new awards under the Prior Plan as of immediately prior to the Effective Date.

**(eee)** "***Prior Plan***" means the 2015 Equity Incentive Plan, as amended from time to time.

**(fff)** "***Prospectus***" means the document containing the Plan information specified in Section 10(a) of the Securities Act.

**(ggg)** "***Restricted Stock Award***" or "***RSA***" means an Award of shares of Class A Common Stock which is granted pursuant to the terms and conditions of Section 5(a).

**(hhh)** "***Restricted Stock Award Agreement***" means a written agreement between the Company and a holder of a Restricted Stock Award evidencing the terms and conditions of a Restricted Stock Award grant. The Restricted Stock Award Agreement includes the Grant Notice for the Restricted Stock Award and the agreement containing the written summary of the general terms and conditions applicable to the Restricted Stock Award and which is provided to a Participant along with the Grant Notice. Each Restricted Stock Award Agreement will be subject to the terms and conditions of the Plan.

**(iii)** "***Returning Shares***" means shares subject to outstanding stock awards granted under the Prior Plan and that following the Effective Date: (A) are not issued because such stock award or any portion thereof expires or otherwise terminates without all of the shares covered by such stock award having been issued; (B) are not issued because such stock award or any portion thereof is settled in cash; (C) are forfeited back to or repurchased by the Company because of the failure to meet a contingency or condition required for the vesting of such shares; (D) are withheld or reacquired to satisfy the exercise, strike or purchase price; or (E) are withheld or reacquired to satisfy a tax withholding obligation; provided, however, that any such shares that are shares of Class B Common Stock shall instead be added to the Share Reserve as shares of Class A Common Stock as described in Section 2(a).

**(jjj)** "***RSU Award***" or "***RSU***" means an Award of restricted stock units representing the right to receive an issuance of shares of Class A Common Stock which is granted pursuant to the terms and conditions of Section 5(a).

**(kkk)** "***RSU Award Agreement***" means a written agreement between the Company and a holder of a RSU Award evidencing the terms and conditions of a RSU Award. The RSU Award Agreement includes the Grant Notice for the RSU Award and the agreement containing the written summary of the general terms and conditions applicable to the RSU Award and which is provided to a Participant along with the Grant Notice. Each RSU Award Agreement will be subject to the terms and conditions of the Plan.

**(lll)** "***Rule 16b-3***" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

**(mmm)**"***Rule 405***" means Rule 405 promulgated under the Securities Act.

**(nnn)** "***Section 409A***" means Section 409A of the Code and the regulations and other guidance thereunder.

**(ooo)** "***Section 409A Change in Control***" means a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the Company's assets, as provided in Section 409A(a)(2)(A)(v) of the Code and Treasury Regulations Section 1.409A-3(i)(5) (without regard to any alternative definition thereunder).

**(ppp)** "***Securities Act***" means the Securities Act of 1933, as amended.

**(qqq)** "***Share Reserve***" means the number of shares available for issuance under the Plan as set forth in Section 2(a).

**(rrr)** "***Stock Appreciation Right***" or "***SAR***" means a right to receive the appreciation on Class A Common Stock that is granted pursuant to the terms and conditions of Section 4.

**(sss)** "***SAR Agreement***" means a written agreement between the Company and a holder of a SAR evidencing the terms and conditions of a SAR grant. The SAR Agreement includes the Grant Notice for the SAR and the agreement containing the written summary of the general terms and conditions applicable to the SAR and which is provided to a Participant along with the Grant Notice. Each SAR Agreement will be subject to the terms and conditions of the Plan.

**(ttt)** "***Subsidiary***" means, with respect to the Company, (i) any corporation of which more than 50% of the outstanding Capital Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation will have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than 50%.

**(uuu)** "***Ten Percent Stockholder***" means a person who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Affiliate.

**(vvv)** "***Trading Policy***" means the Company's policy permitting certain individuals to sell Company shares only during certain "window" periods and/or otherwise restricts the ability of certain individuals to transfer or encumber Company shares, as in effect from time to time.

**(www)** "***Unvested Non-Exempt Award***" means the portion of any Non-Exempt Award that had not vested in accordance with its terms upon or prior to the date of any Corporate Transaction.

**(xxx)** "***Vested Non-Exempt Award***" means the portion of any Non-Exempt Award that had vested in accordance with its terms upon or prior to the date of a Corporate Transaction.

**ROOT, INC.**

**2020 EMPLOYEE STOCK PURCHASE PLAN**

**ADOPTED BY THE BOARD OF DIRECTORS: _____, 2020**
**APPROVED BY THE STOCKHOLDERS: _____, 2020**
**IPO DATE: _____, 2020**

## 1. GENERAL; PURPOSE.

**(a)** The Plan provides a means by which Eligible Employees of the Company and certain designated Related Corporations may be given an opportunity to purchase shares of Class A Common Stock. The Plan permits the Company to grant a series of Purchase Rights to Eligible Employees under an Employee Stock Purchase Plan. In addition, the Plan permits the Company to grant a series of Purchase Rights to Eligible Employees that do not meet the requirements of an Employee Stock Purchase Plan.

**(b)** The Plan includes two components: a 423 Component and a Non-423 Component. The Company intends (but makes no undertaking or representation to maintain) the 423 Component to qualify as an Employee Stock Purchase Plan. The provisions of the 423 Component, accordingly, will be construed in a manner that is consistent with the requirements of Section 423 of the Code. Except as otherwise provided in the Plan or determined by the Board, the Non-423 Component will operate and be administered in the same manner as the 423 Component.

**(c)** The Company, by means of the Plan, seeks to retain the services of such Employees, to secure and retain the services of new Employees and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Related Corporations.

## 2. ADMINISTRATION.

**(a)** The Board or the Committee will administer the Plan. References herein to the Board shall be deemed to refer to the Committee except where context dictates otherwise.

**(b)** The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:

**(i)** To determine how and when Purchase Rights will be granted and the provisions of each Offering (which need not be identical).

**(ii)** To designate from time to time (A) which Related Corporations of the Company will be eligible to participate in the Plan, (B) whether such Related Corporations will participate in the 423 Component or the Non-423 Component, and (C) to the extent that the Company makes separate Offerings under the 423 Component, in which Offering the Related Corporations in the 423 Component will participate.

**(iii)** To construe and interpret the Plan and Purchase Rights, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may

correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it deems necessary or expedient to make the Plan fully effective.

**(iv)** To settle all controversies regarding the Plan and Purchase Rights granted under the Plan.

**(v)** To suspend or terminate the Plan at any time as provided in Section 12.

**(vi)** To amend the Plan at any time as provided in Section 12.

**(vii)** Generally, to exercise such powers and to perform such acts as it deems necessary or expedient to promote the best interests of the Company and its Related Corporations and to carry out the intent that the Plan be treated as an Employee Stock Purchase Plan with respect to the 423 Component.

**(viii)** To adopt such rules, procedures and sub-plans as are necessary or appropriate to permit or facilitate participation in the Plan by Employees who are foreign nationals or employed or located outside the United States. Without limiting the generality of, and consistent with, the foregoing, the Board specifically is authorized to adopt rules, procedures, and sub-plans regarding, without limitation, eligibility to participate in the Plan, the definition of eligible "earnings," handling and making of Contributions, establishment of bank or trust accounts to hold Contributions, payment of interest, conversion of local currency, obligations to pay payroll tax, determination of beneficiary designation requirements, withholding procedures and handling of share issuances, any of which may vary according to applicable requirements, and which, if applicable to a Related Corporation designated for participation in the Non-423 Component, do not have to comply with the requirements of Section 423 of the Code.

**(c)** The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revest in the Board some or all of the powers previously delegated. Whether or not the Board has delegated administration of the Plan to a Committee, the Board will have the final power to determine all questions of policy and expediency that may arise in the administration of the Plan.

**(d)** All determinations, interpretations and constructions made by the Board in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

## 3. SHARES OF CLASS A COMMON STOCK SUBJECT TO THE PLAN.

**(a)** Subject to the provisions of Section 11(a) relating to Capitalization Adjustments, the maximum number of shares of Class A Common Stock that may be issued under the Plan will not exceed 5,000,000 shares of Class A Common Stock, plus the number of shares of Class A Common Stock that are automatically added on January 1st of each year for a period of up to ten years, commencing on the first January 1 following the year in which the IPO Date occurs and ending on (and including) January 1, 2030, in an amount equal to the lesser of (i) 1% of the total number of shares of Capital Stock outstanding on December 31st of the preceding calendar year, and (ii) 7,500,000 shares of Class A Common Stock. Notwithstanding the foregoing, the Board may act prior to the first day of any calendar year to provide that there will be no January 1st increase in the share reserve for such calendar year or that the increase in



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the share reserve for such calendar year will be a lesser number of shares of Class A Common Stock than would otherwise occur pursuant to the preceding sentence. For the avoidance of doubt, up to the maximum number of shares of Class A Common Stock reserved under this Section 3(a) may be used to satisfy purchases of Class A Common Stock under the 423 Component and any remaining portion of such maximum number of shares may be used to satisfy purchases of Class A Common Stock under the Non-423 Component.

**(b)** If any Purchase Right granted under the Plan terminates without having been exercised in full, the shares of Class A Common Stock not purchased under such Purchase Right will again become available for issuance under the Plan.

**(c)** The stock purchasable under the Plan will be shares of authorized but unissued or reacquired Class A Common Stock, including shares repurchased by the Company on the open market.

**4. GRANT OF PURCHASE RIGHTS; OFFERING.**

**(a)** The Board may from time to time grant or provide for the grant of Purchase Rights to Eligible Employees under an Offering (consisting of one or more Purchase Periods) on an Offering Date or Offering Dates selected by the Board. Each Offering will be in such form and will contain such terms and conditions as the Board will deem appropriate, and, with respect to the 423 Component, will comply with the requirement of Section 423(b)(5) of the Code that all Employees granted Purchase Rights will have the same rights and privileges. The terms and conditions of an Offering shall be incorporated by reference into the Plan and treated as part of the Plan. The provisions of separate Offerings need not be identical, but each Offering will include (through incorporation of the provisions of this Plan by reference in the document comprising the Offering or otherwise) the period during which the Offering will be effective, which period will not exceed 27 months beginning with the Offering Date, and the substance of the provisions contained in Sections 5 through 8, inclusive.

**(b)** If a Participant has more than one Purchase Right outstanding under the Plan, unless he or she otherwise indicates in forms delivered to the Company: (i) each form will apply to all of his or her Purchase Rights under the Plan, and (ii) a Purchase Right with a lower exercise price (or an earlier-granted Purchase Right, if different Purchase Rights have identical exercise prices) will be exercised to the fullest possible extent before a Purchase Right with a higher exercise price (or a later-granted Purchase Right if different Purchase Rights have identical exercise prices) will be exercised.

**(c)** The Board will have the discretion to structure an Offering so that if the Fair Market Value of a share of Class A Common Stock on the first Trading Day of a new Purchase Period within that Offering is less than or equal to the Fair Market Value of a share of Class A Common Stock on the Offering Date for that Offering, then (i) that Offering will terminate immediately as of that first Trading Day, and (ii) the Participants in such terminated Offering will be automatically enrolled in a new Offering beginning on the first Trading Day of such new Purchase Period.

**5. ELIGIBILITY.**

**(a)** Purchase Rights may be granted only to Employees of the Company or, as the Board may designate in accordance with Section 2(b), to Employees of a Related Corporation. Except as provided in Section 5(b) or as required by Applicable Law, an Employee will not be eligible to be granted Purchase Rights unless, on the Offering Date, the Employee has been in the employ of the Company or the Related Corporation, as the case may be, for such continuous period preceding such Offering Date as the Board may require, but in no event will the required period of continuous employment be equal to or greater than two years. In addition, the Board may (unless prohibited by law) provide that no Employee will be



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eligible to be granted Purchase Rights under the Plan unless, on the Offering Date, such Employee's customary employment with the Company or the Related Corporation is more than 20 hours per week and more than five months per calendar year or such other criteria as the Board may determine consistent with Section 423 of the Code with respect to the 423 Component. The Board may also exclude from participation in the Plan or any Offering Employees who are "highly compensated employees" (within the meaning of Section 423(b)(4)(D) of the Code) of the Company or a Related Corporation or a subset of such highly compensated employees.

**(b)** The Board may provide that each person who, during the course of an Offering, first becomes an Eligible Employee will, on a date or dates specified in the Offering which coincides with the day on which such person becomes an Eligible Employee or which occurs thereafter, receive a Purchase Right under that Offering, which Purchase Right will thereafter be deemed to be a part of that Offering. Such Purchase Right will have the same characteristics as any Purchase Rights originally granted under that Offering, as described herein, except that:

**(i)** the date on which such Purchase Right is granted will be the "Offering Date" of such Purchase Right for all purposes, including determination of the exercise price of such Purchase Right;

**(ii)** the period of the Offering with respect to such Purchase Right will begin on its Offering Date and end coincident with the end of such Offering; and

**(iii)** the Board may provide that if such person first becomes an Eligible Employee within a specified period of time before the end of the Offering, he or she will not receive any Purchase Right under that Offering.

**(c)** No Employee will be eligible for the grant of any Purchase Rights if, immediately after any such Purchase Rights are granted, such Employee owns stock possessing five percent or more of the total combined voting power or value of all classes of stock of the Company or of any Related Corporation. For purposes of this Section 5(c), the rules of Section 424(d) of the Code will apply in determining the stock ownership of any Employee, and stock which such Employee may purchase under all outstanding Purchase Rights and options will be treated as stock owned by such Employee.

**(d)** As specified by Section 423(b)(8) of the Code, an Eligible Employee may be granted Purchase Rights only if such Purchase Rights, together with any other rights granted under all Employee Stock Purchase Plans of the Company and any Related Corporations, do not permit such Eligible Employee's rights to purchase stock of the Company or any Related Corporation to accrue at a rate which, when aggregated, exceeds US $25,000 of Fair Market Value of such stock (determined at the time such rights are granted, and which, with respect to the Plan, will be determined as of their respective Offering Dates) for each calendar year in which such rights are outstanding at any time.

**(e)** Officers of the Company and any designated Related Corporation, if they are otherwise Eligible Employees, will be eligible to participate in Offerings under the Plan. Notwithstanding the foregoing, the Board may (unless prohibited by law) provide in an Offering that Employees who are highly compensated Employees within the meaning of Section 423(b)(4)(D) of the Code will not be eligible to participate.

**(f)** Notwithstanding anything in this Section 5 to the contrary, in the case of an Offering under the Non-423 Component, an Eligible Employee (or group of Eligible Employees) may be excluded



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from participation in the Plan or an Offering if the Board has determined, in its sole discretion, that participation of such Eligible Employee(s) is not advisable or practical for any reason.

**6. PURCHASE RIGHTS; PURCHASE PRICE.**

**(a)** On each Offering Date, each Eligible Employee, pursuant to an Offering made under the Plan, will be granted a Purchase Right to purchase up to that number of shares of Class A Common Stock purchasable either with a percentage or with a maximum dollar amount, as designated by the Board, but in either case not exceeding 15% of such Employee's earnings (as defined by the Board in each Offering) during the period that begins on the Offering Date (or such later date as the Board determines for a particular Offering) and ends on the date stated in the Offering, which date will be no later than the end of the Offering.

**(b)** The Board will establish one or more Purchase Dates during an Offering on which Purchase Rights granted for that Offering will be exercised and shares of Class A Common Stock will be purchased in accordance with such Offering.

**(c)** In connection with each Offering made under the Plan, the Board may specify (i) a maximum number of shares of Class A Common Stock that may be purchased by any Participant on any Purchase Date during such Offering, (ii) a maximum aggregate number of shares of Class A Common Stock that may be purchased by all Participants pursuant to such Offering and/or (iii) a maximum aggregate number of shares of Class A Common Stock that may be purchased by all Participants on any Purchase Date under the Offering. If the aggregate purchase of shares of Class A Common Stock issuable upon exercise of Purchase Rights granted under the Offering would exceed any such maximum aggregate number, then, in the absence of any Board action otherwise, a pro rata (based on each Participant's accumulated Contributions) allocation of the shares of Class A Common Stock (rounded down to the nearest whole share) available will be made in as nearly a uniform manner as will be practicable and equitable.

**(d)** The purchase price of shares of Class A Common Stock acquired pursuant to Purchase Rights will be not less than the lesser of:

**i.** an amount equal to 85% of the Fair Market Value of the shares of Class A Common Stock on the Offering Date; or

**ii.** an amount equal to 85% of the Fair Market Value of the shares of Class A Common Stock on the applicable Purchase Date.

**7. PARTICIPATION; WITHDRAWAL; TERMINATION.**

**(a)** An Eligible Employee may elect to participate in an Offering and authorize payroll deductions as the means of making Contributions by completing and delivering to the Company, within the time specified in the Offering, an enrollment form provided by the Company. The enrollment form will specify the amount of Contributions not to exceed the maximum amount specified by the Board. Each Participant's Contributions will be credited to a bookkeeping account for such Participant under the Plan and will be deposited with the general funds of the Company except where Applicable Law requires that Contributions be deposited with a third party. If permitted in the Offering, a Participant may begin such Contributions with the first payroll occurring on or after the Offering Date (or, in the case of a payroll date that occurs after the end of the prior Offering but before the Offering Date of the next new Offering, Contributions from such payroll will be included in the new Offering). If permitted in the Offering, a Participant may thereafter reduce (including to zero) or increase his or her Contributions. If required under Applicable Law or if specifically provided in the Offering, in addition to or instead of

making Contributions by payroll deductions, a Participant may make Contributions through the payment by cash, check or wire transfer prior to a Purchase Date.

**(b)** During an Offering, a Participant may cease making Contributions and withdraw from the Offering by delivering to the Company a withdrawal form provided by the Company. The Company may impose a deadline before a Purchase Date for withdrawing. Upon such withdrawal, such Participant's Purchase Right in that Offering will immediately terminate and the Company will distribute as soon as practicable to such Participant all of his or her accumulated but unused Contributions and such Participant's Purchase Right in that Offering shall thereupon terminate. A Participant's withdrawal from that Offering will have no effect upon his or her eligibility to participate in any other Offerings under the Plan, but such Participant will be required to deliver a new enrollment form to participate in subsequent Offerings.

**(c)** Unless otherwise required by Applicable Law, Purchase Rights granted pursuant to any Offering under the Plan will terminate immediately if the Participant either (i) is no longer an Employee for any reason or for no reason (subject to any post-employment participation period required by law) or (ii) is otherwise no longer eligible to participate. The Company will distribute as soon as practicable to such individual all of his or her accumulated but unused Contributions.

**(d)** Unless otherwise determined by the Board, a Participant whose employment transfers or whose employment terminates with an immediate rehire (with no break in service) by or between the Company and a Related Corporation that has been designated for participation in the Plan will not be treated as having terminated employment for purposes of participating in the Plan or an Offering; however, if a Participant transfers from an Offering under the 423 Component to an Offering under the Non-423 Component, the exercise of the Participant's Purchase Right will be qualified under the 423 Component only to the extent such exercise complies with Section 423 of the Code. If a Participant transfers from an Offering under the Non-423 Component to an Offering under the 423 Component, the exercise of the Purchase Right will remain non-qualified under the Non-423 Component. The Board may establish different and additional rules governing transfers between separate Offerings within the 423 Component and between Offerings under the 423 Component and Offerings under the Non-423 Component.

**(e)** During a Participant's lifetime, Purchase Rights will be exercisable only by such Participant. Purchase Rights are not transferable by a Participant, except by will, by the laws of descent and distribution, or, if permitted by the Company, by a beneficiary designation as described in Section 10.

**(f)** Unless otherwise specified in the Offering or as required by Applicable Law, the Company will have no obligation to pay interest on Contributions.

**8. EXERCISE OF PURCHASE RIGHTS. Exercise of Purchase Rights.**

**(a)** On each Purchase Date, each Participant's accumulated Contributions will be applied to the purchase of shares of Class A Common Stock, up to the maximum number of shares of Class A Common Stock permitted by the Plan and the applicable Offering, at the purchase price specified in the Offering. No fractional shares will be issued unless specifically provided for in the Offering.

**(b)** Unless otherwise provided in the Offering, if any amount of accumulated Contributions remains in a Participant's account after the purchase of shares of Class A Common Stock on the final Purchase Date of an Offering, then such remaining amount will not roll over to the next Offering and will



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instead be distributed in full to such Participant after the final Purchase Date of such Offering without interest (unless otherwise required by Applicable Law).

**(c)** No Purchase Rights may be exercised to any extent unless the shares of Class A Common Stock to be issued upon such exercise under the Plan are covered by an effective registration statement pursuant to the Securities Act and the Plan is in material compliance with all applicable U.S. federal and state, foreign and other securities, exchange control and other laws applicable to the Plan. If on a Purchase Date the shares of Class A Common Stock are not so registered or the Plan is not in such compliance, no Purchase Rights will be exercised on such Purchase Date, and the Purchase Date will be delayed until the shares of Class A Common Stock are subject to such an effective registration statement and the Plan is in material compliance, except that the Purchase Date will in no event be more than 27 months from the Offering Date. If, on the Purchase Date, as delayed to the maximum extent permissible, the shares of Class A Common Stock are not registered and the Plan is not in material compliance with all Applicable Laws, as determined by the Company in its sole discretion, no Purchase Rights will be exercised and all accumulated but unused Contributions will be distributed to the Participants without interest (unless the payment of interest is otherwise required by Applicable Law).

## 9. COVENANTS OF THE COMPANY.

The Company will seek to obtain from each U.S. federal or state, foreign or other regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Purchase Rights and issue and sell shares of Class A Common Stock thereunder unless the Company determines, in its sole discretion, that doing so would cause the Company to incur costs that are unreasonable. If, after commercially reasonable efforts, the Company is unable to obtain the authority that counsel for the Company deems necessary for the grant of Purchase Rights or the lawful issuance and sale of Class A Common Stock under the Plan, and at a commercially reasonable cost, the Company will be relieved from any liability for failure to grant Purchase Rights and/or to issue and sell Class A Common Stock upon exercise of such Purchase Rights.

## 10. DESIGNATION OF BENEFICIARY.

**(a)** The Company may, but is not obligated to, permit a Participant to submit a form designating a beneficiary who will receive any shares of Class A Common Stock and/or Contributions from the Participant's account under the Plan if the Participant dies before such shares and/or Contributions are delivered to the Participant. The Company may, but is not obligated to, permit the Participant to change such designation of beneficiary. Any such designation and/or change must be on a form approved by the Company.

**(b)** If a Participant dies, and in the absence of a valid beneficiary designation, the Company will deliver any shares of Class A Common Stock and/or Contributions to the executor or administrator of the estate of the Participant. If no executor or administrator has been appointed (to the knowledge of the Company), the Company, in its sole discretion, may deliver such shares of Class A Common Stock and/or Contributions, without interest (unless the payment of interest is otherwise required by Applicable Law), to the Participant's spouse, dependents or relatives, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

## 11. ADJUSTMENTS UPON CHANGES IN CLASS A COMMON STOCK; CORPORATE TRANSACTIONS.

**(a)** In the event of a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to



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Section 3(a), (ii) the class(es) and maximum number of securities by which the share reserve is to increase automatically each year pursuant to Section 3(a), (iii) the class(es) and number of securities subject to, and the purchase price applicable to outstanding Offerings and Purchase Rights, and (iv) the class(es) and number of securities that are the subject of the purchase limits under each ongoing Offering. The Board will make these adjustments, and its determination will be final, binding and conclusive.

**(b)** In the event of a Corporate Transaction, then: (i) any surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) may assume or continue outstanding Purchase Rights or may substitute similar rights (including a right to acquire the same consideration paid to the stockholders in the Corporate Transaction) for outstanding Purchase Rights, or (ii) if any surviving or acquiring corporation (or its parent company) does not assume or continue such Purchase Rights or does not substitute similar rights for such Purchase Rights, then the Participants' accumulated Contributions will be used to purchase shares of Class A Common Stock (rounded down to the nearest whole share) within ten business days prior to the Corporate Transaction under the outstanding Purchase Rights, and the Purchase Rights will terminate immediately after such purchase.

## 12. AMENDMENT, TERMINATION OR SUSPENSION OF THE PLAN.

**(a)** The Board may amend the Plan at any time in any respect the Board deems necessary or advisable. However, except as provided in Section 11(a) relating to Capitalization Adjustments, stockholder approval will be required for any amendment of the Plan for which stockholder approval is required by Applicable Law.

**(b)** The Board may suspend or terminate the Plan at any time. No Purchase Rights may be granted under the Plan while the Plan is suspended or after it is terminated.

Any benefits, privileges, entitlements and obligations under any outstanding Purchase Rights granted before an amendment, suspension or termination of the Plan will not be materially impaired by any such amendment, suspension or termination except (i) with the consent of the person to whom such Purchase Rights were granted, (ii) as necessary to comply with any laws, listing requirements, or governmental regulations (including, without limitation, the provisions of Section 423 of the Code and the regulations and other interpretive guidance issued thereunder relating to Employee Stock Purchase Plans) including without limitation any such regulations or other guidance that may be issued or amended after the date the Plan is adopted by the Board, or (iii) as necessary to obtain or maintain favorable tax, listing, or regulatory treatment. To be clear, the Board may amend outstanding Purchase Rights without a Participant's consent if such amendment is necessary to ensure that the Purchase Right and/or the Plan complies with the requirements of Section 423 of the Code with respect to the 423 Component or with respect to other Applicable Laws. Notwithstanding anything in the Plan or any Offering Document to the contrary, the Board will be entitled to: (i) establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars; (ii) permit Contributions in excess of the amount designated by a Participant in order to adjust for mistakes in the Company's processing of properly completed Contribution elections; (iii) establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Class A Common Stock for each Participant properly correspond with amounts withheld from the Participant's Contributions; (iv) amend any outstanding Purchase Rights or clarify any ambiguities regarding the terms of any Offering to enable the Purchase Rights to qualify under and/or comply with Section 423 of the Code with respect to the 423 Component; and (v) establish other limitations or procedures as the Board determines in its sole discretion advisable that are consistent with the Plan. The actions of the Board pursuant to this paragraph



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will not be considered to alter or impair any Purchase Rights granted under an Offering as they are part of the initial terms of each Offering and the Purchase Rights granted under each Offering.

**13. TAX QUALIFICATION; TAX WITHHOLDING.**

**(a)** Although the Company may endeavor to (i) qualify a Purchase Right for special tax treatment under the laws of the United States or jurisdictions outside of the United States or (ii) avoid adverse tax treatment, the Company makes no representation to that effect and expressly disavows any covenant to maintain special or to avoid unfavorable tax treatment, notwithstanding anything to the contrary in this Plan. The Company will be unconstrained in its corporate activities without regard to the potential negative tax impact on Participants.

**(b)** Each Participant will make arrangements, satisfactory to the Company and any applicable Related Corporation, to enable the Company or the Related Corporation to fulfill any withholding obligation for Tax-Related Items. Without limitation to the foregoing, in the Company's sole discretion and subject to Applicable Law, such withholding obligation may be satsified in whole or in part by (i) withholding from the Participant's salary or any other cash payment due to the Participant from the Company or a Related Corporation; (ii) withholding from the proceeds of the sale of shares of Class A Common Stock acquired under the Plan, either through a voluntary sale or a mandatory sale arranged by the Company; or (iii) any other method deemed acceptable by the Board.

**14. EFFECTIVE DATE OF PLAN.**

The Plan will become effective immediately prior to and contingent upon the IPO Date. No Purchase Rights will be exercised unless and until the Plan has been approved by the stockholders of the Company, which approval must be within 12 months before or after the date the Plan is adopted (or if required under Section 12(a) above, materially amended) by the Board.

**15. MISCELLANEOUS PROVISIONS.**

**(a)** Proceeds from the sale of shares of Class A Common Stock pursuant to Purchase Rights will constitute general funds of the Company.

**(b)** A Participant will not be deemed to be the holder of, or to have any of the rights of a holder with respect to, shares of Class A Common Stock subject to Purchase Rights unless and until the Participant's shares of Class A Common Stock acquired upon exercise of Purchase Rights are recorded in the books of the Company (or its transfer agent).

**(c)** The Plan and Offering do not constitute an employment contract. Nothing in the Plan or in the Offering will in any way alter the at will nature of a Participant's employment, if applicable, or be deemed to create in any way whatsoever any obligation on the part of any Participant to continue in the employ of the Company or a Related Corporation, or on the part of the Company or a Related Corporation to continue the employment of a Participant.

**(d)** The provisions of the Plan will be governed by the laws of the State of Delaware without resort to that state's conflicts of laws rules.



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**(e)** If any particular provision of the Plan is found to be invalid or otherwise unenforceable, such provision will not affect the other provisions of the Plan, but the Plan will be construed in all respects as if such invalid provision were omitted.

**(f)** If any provision of the Plan does not comply with Applicable Law, such provision shall be construed in such a manner as to comply with Applicable Law.

**16. DEFINITIONS.**

As used in the Plan, the following definitions will apply to the capitalized terms indicated below:

**(a)** "***423 Component***" means the part of the Plan, which excludes the Non-423 Component, pursuant to which Purchase Rights that satisfy the requirements for an Employee Stock Purchase Plan may be granted to Eligible Employees.

**(b)** "***Applicable Law***" means shall mean any applicable securities, federal, state, foreign, material local or municipal or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, listing rule, regulation, judicial decision, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body (or under the authority of the NASDAQ Stock Market or the Financial Industry Regulatory Authority).

**(c)** "***Board***" means the Board of Directors of the Company.

**(d)** "***Capital Stock***" means the Class A Common Stock and the Class B Common Stock.

**(e)** "***Capitalization Adjustment***" means any change that is made in, or other events that occur with respect to, the Class A Common Stock subject to the Plan or subject to any Purchase Right after the date the Plan is adopted by the Board without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other similar equity restructuring transaction, as that term is used in Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

**(f)** "***Class A Common Stock***" means the Class A common stock of the Company.

**(g)** "***Class B Common Stock***" means the Class B common stock of the Company.

**(h)** "***Code***" means the U.S. Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

**(i)** "***Committee***" means a committee of one or more members of the Board to whom authority has been delegated by the Board in accordance with Section 2(c).

**(j)** "***Company***" means Root, Inc., a Delaware corporation.

**(k)** ***"Contributions***" means the payroll deductions and other additional payments specifically provided for in the Offering that a Participant contributes to fund the exercise of a Purchase Right. A Participant may make additional payments into his or her account if specifically provided for in the



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Offering, and then only if the Participant has not already had the maximum permitted amount withheld during the Offering through payroll deductions.

**(l)** "***Corporate Transaction***" means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:

**(i)** a sale or other disposition of all or substantially all, as determined by the Board in its sole discretion, of the consolidated assets of the Company and its subsidiaries;

**(ii)** a sale or other disposition of more than 50% of the outstanding securities of the Company;

**(iii)** a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or

**(iv)** a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Capital Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

**(m)** "***Director***" means a member of the Board.

**(n)** "***Eligible Employee***" means an Employee who meets the requirements set forth in the document(s) governing the Offering for eligibility to participate in the Offering, provided that such Employee also meets the requirements for eligibility to participate set forth in the Plan.

**(o)** "***Employee***" means any person, including an Officer or Director, who is "employed" for purposes of Section 423(b)(4) of the Code by the Company or a Related Corporation. However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an "Employee" for purposes of the Plan.

**(p)** "***Employee Stock Purchase Plan***" means a plan that grants Purchase Rights intended to be options issued under an "employee stock purchase plan," as that term is defined in Section 423(b) of the Code.

**(q)** "***Exchange Act***" means the U.S. Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder.

**(r)** "***Fair Market Value***" means, as of any date, the value of the Class A Common Stock determined as follows:

**(i)** If the Class A Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Class A Common Stock will be the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Class A Common Stock) on the date of determination, as reported in such source as the Board deems reliable. Unless otherwise provided by the Board, if there is no closing



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sales price for the Class A Common Stock on the date of determination, then the Fair Market Value will be the closing sales price on the last preceding date for which such quotation exists.

**(ii)** In the absence of such markets for the Class A Common Stock, the Fair Market Value will be determined by the Board in good faith in compliance with Applicable Laws and regulations and in a manner that complies with Sections 409A of the Code

**(iii)** Notwithstanding the foregoing, for any Offering that commences on the IPO Date, the Fair Market Value of the shares of Class A Common Stock on the Offering Date will be the price per share at which shares are first sold to the public in the Company's initial public offering as specified in the final prospectus for that initial public offering.

**(s)** "***Governmental Body***" means any: (a) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government; (c) governmental or regulatory body, or quasi-governmental body of any nature (including any governmental division, department, administrative agency or bureau, commission, authority, instrumentality, official, ministry, fund, foundation, center, organization, unit, body or entity and any court or other tribunal, and for the avoidance of doubt, any tax authority) or other body exercising similar powers or authority; or (d) self-regulatory organization (including the NASDAQ Stock Market and the Financial Industry Regulatory Authority).

**(t)** "***IPO Date***" means the date of the underwriting agreement between the Company and the underwriters managing the initial public offering of the Class A Common Stock, pursuant to which the Class A Common Stock is priced for the initial public offering.

**(u)** "Non-423 Component" means the part of the Plan, which excludes the 423 Component, pursuant to which Purchase Rights that are not intended to satisfy the requirements for an Employee Stock Purchase Plan may be granted to Eligible Employees.

**(v)** "***Offering***" means the grant to Eligible Employees of Purchase Rights, with the exercise of those Purchase Rights automatically occurring at the end of one or more Purchase Periods. The terms



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and conditions of an Offering will generally be set forth in the "***Offering Document***" approved by the Board for that Offering.

**(w)** "***Offering Date***" means a date selected by the Board for an Offering to commence.

**(x)** "***Officer***" means a person who is an officer of the Company or a Related Corporation within the meaning of Section 16 of the Exchange Act.

**(y)** "***Participant***" means an Eligible Employee who holds an outstanding Purchase Right.

**(z)** "***Plan***" means this Root, Inc. 2020 Employee Stock Purchase Plan, as amended from time to time, including both the 423 Component and the Non-423 Component.

**(aa)** "***Purchase Date***" means one or more dates during an Offering selected by the Board on which Purchase Rights will be exercised and on which purchases of shares of Class A Common Stock will be carried out in accordance with such Offering.

**(bb)** "***Purchase Period***" means a period of time specified within an Offering, generally beginning on the Offering Date or on the first Trading Day following a Purchase Date, and ending on a Purchase Date. An Offering may consist of one or more Purchase Periods.

**(cc)** "***Purchase Right***" means an option to purchase shares of Class A Common Stock granted pursuant to the Plan.

**(dd)** "***Related Corporation***" means any "parent corporation" or "subsidiary corporation" of the Company whether now or subsequently established, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

**(ee)** "***Securities Act***" means the U.S. Securities Act of 1933, as amended.

**(ff)** "***Tax-Related Items***" means any income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items arising out of or in relation to a Participant's participation in the Plan, including, but not limited to, the exercise of a Purchase Right and the receipt of shares of Class A Common Stock or the sale or other disposition of shares of Class A Common Stock acquired under the Plan.

**(gg)** "***Trading Day***" means any day on which the exchange(s) or market(s) on which shares of Class A Common Stock are listed, including but not limited to the NYSE, Nasdaq Global Select Market, the Nasdaq Global Market, the Nasdaq Capital Market or any successors thereto, is open for trading.



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**ROOT, INC.**

**COMMON STOCK PURCHASE AGREEMENT**

**October 19, 2020**

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**ROOT, INC.**
**COMMON STOCK PURCHASE AGREEMENT**

THIS COMMON STOCK PURCHASE AGREEMENT (this "Agreement") is made as of October 19, 2020, by and between Root, Inc., a Delaware corporation (the "Company") and Roadrunner DF Holdings, LP, a Deleware limited partnership (the "Investor").

THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Purchase and Sale of Stock.

1.1 Sale and Issuance of Common Stock. Subject to the terms and conditions of this Agreement, the Investor agrees to purchase from the Company, and the Company agrees to sell and issue to the Investor, $250,000,000 of shares (the "Shares") of Class A Common Stock of the Company (the "Common Stock") at a price per share equal to the per share initial public offering price (before underwriting discounts and expenses) in the Qualified IPO (as defined below) (the "IPO Price"), such number of shares rounded down to the nearest whole share "Qualified IPO" shall mean the issuance and sale of shares of the Common Stock by the Company, pursuant to an Underwriting Agreement to be entered into by and among the Company and certain underwriters (the "Underwriters"), in connection with the Company's initial public offering pursuant to the Company's Registration Statement on Form S-1 (File No. 333-249332) (the "Registration Statement") and/or any related registration statements (the "Underwriting Agreement").

1.2 Closing. The purchase and sale of the Shares shall take place at the location and at the time immediately subsequent to the closing of the Qualified IPO (which time and place are designated as the "Closing"). At the Closing, the Investor shall make payment of the purchase price of the Shares by wire transfer in immediately available funds to the account specified by the Company against delivery to the Investor of the Shares registered in the name of the Investor, which Shares shall be uncertificated shares.

2. Registration Rights. At the Closing, in connection with the purchase of the Shares, the Company's Fifth Amended and Restated Investors' Rights Agreement, dated November 25, 2019, by and among the Company and the stockholders of the Company listed thereto (the "Existing Rights Agreement"), shall, pursuant to Section 6.6 of the Existing Rights Agreement, be amended, in substantially the form attached hereto as **Exhibit A** (the "Rights Agreement Amendment" and, together with the Existing Rights Agreement, the "Rights Agreement"), solely for the purpose of providing the Investor with piggyback registration rights under Section 2.2 of the Rights Agreement.

3. Representations and Warranties of the Company. The Company hereby represents and warrants to the Investor that as of the date hereof and as of the date of the Closing:

3.1 Organization, Good Standing and Qualification.

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business as now conducted.

(a) The Company is duly qualified to transact business and is in good standing in each jurisdiction in which it is required to be so qualified or in good standing, except where the failure to so qualify or be in good standing would not be material and adverse to the Company.

3.2 Authorization. All corporate action on the part of the Company, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Agreement and, subject to obtaining the requisite stockholder approval for the Rights Agreement Amendment, the performance of all obligations of the Company under this Agreement and the Rights Agreement Amendment, and the authorization, issuance, sale and delivery of the Shares being sold hereunder has been taken, and this Agreement constitutes, and as of the Closing the Rights Agreement Amendment shall constitute, valid and legally binding obligations of the Company, enforceable in accordance with their respective terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies and (iii) to the extent the indemnification provisions contained in the Rights Agreement may be limited by applicable federal or state securities laws.

3.3 Valid Issuance of Common Stock. The Shares being purchased by the Investor hereunder, when issued, sold and delivered in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid and nonassessable and will be free of restrictions on transfer other than restrictions on transfer under applicable state and federal securities laws. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of the Company is required in connection with the consummation of the transactions contemplated by this Agreement, except (a) the filing pursuant to Regulation D promulgated by the SEC under the Act; (b) the filings required by applicable state "blue sky" securities laws, rules and regulations; or (c) such other post-closing filings as may be required.

3.4 Compliance with Other Instruments.

(a) The Company is not in violation or default of any provision of its Amended and Restated Certificate of Incorporation, as amended, or Amended and Restated Bylaws.

(b) Except as would not be material to the Company, the Company is not in violation or default in any material respect of any instrument, judgment, order, writ, decree or contract to which it is a party or by which it is bound, or, to its knowledge, of any provision of any federal or state statute, rule or regulation applicable to the Company. The execution, delivery and performance of this Agreement and the Rights Agreement Amendment, and the consummation of the transactions contemplated by this Agreement and the Rights Agreement Amendment will not result in any material violation or default or be in conflict with or constitute, with or without the passage of time and giving of notice, either a material default under any such provision, instrument, judgment, order, writ, decree or contract or an event that results in the creation of any material lien, charge or encumbrance upon any assets of the Company or the suspension, revocation, impairment, forfeiture, or nonrenewal of any material permit, license, authorization, or approval applicable to the Company, its business or operations or any of its assets or properties.

(c) The Company hereby represents, warrants and covenants to the Investor that the Shares will not represent more than 10% of the outstanding voting securities of the Company

immediately following the consummation of the transaction contemplated under Section 1 of this Agreement.

3.5 Description of Capital Stock. As of the date of the Closing, the statements set forth in the Pricing Prospectus (as defined in the Underwriting Agreement) and Prospectus (as defined in the Underwriting Agreement) under the caption "Description of Capital Stock," insofar as they purport to constitute a summary of the terms of the Company's capital stock, are accurate, complete and fair in all material respects. Exhibit A to this Agreement sets forth the capitalization of the Company as of the date of this Agreement including the number of shares of the following: (i) issued and outstanding Common Stock; (ii) outstanding stock options; (iii) shares of Common Stock reserved for future award grants under the Company's equity plan; (iv) each series of Preferred Stock; and (v) warrants or stock purchase rights, if any. The Company has obtained valid waivers of any rights by other parties to purchase any of the Shares covered by this Agreement.

3.6 Registration Statement. The Registration Statement, and any amendment thereto, including any information deemed to be included therein pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), complied (or, in the case of amendments filed after the date of this Agreement, will comply) as of its filing date in all material respects with the requirements of the Securities Act and the rules and regulations of the SEC promulgated thereunder, and did not (or, in the case of amendments filed after the date hereof, will not) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of the date it is declared effective by the SEC, the Registration Statement, as so amended, and any related registration statements, will comply in all material respects with the requirements of the Securities Act and the rules and regulations of the SEC promulgated thereunder, and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Any preliminary prospectus included in the Registration Statement or any amendment thereto, any free writing prospectus related to the Registration Statement and any final prospectus related to the Registration Statement filed pursuant to Rule 424 promulgated under the Securities Act, in each case as of its date, will comply in all material respects with the requirements of the Securities Act and the rules and regulations promulgated thereunder, and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

3.7 Brokers or Finders**.** The Company has not engaged any brokers, finders or agents such that the Investor will incur, directly or indirectly, as a result of any action taken by the Company, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with the sale of the Shares contemplated by this Agreement.

3.8 Private Placement. Assuming the accuracy of the representations, warranties and covenants of the Investor set forth in Section 4 of this Agreement, no registration under the Securities Act is required for the offer and sale of the Shares by the Company to the Investor under this Agreement, and neither the Company nor any authorized agent acting on its behalf will take any action hereafter that would require such a registration.

4. Representations, Warranties and Covenants of the Investor. The Investor hereby represents and warrants that as of the date hereof and as of the date of the Closing:

4.1 Organization, Good Standing and Qualification. The Investor is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware.

4.2 Authorization. The Investor has full power and authority to enter into this Agreement and the Rights Agreement, and each such agreement constitutes a valid and legally binding obligation of the Investor, enforceable in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies and (iii) to the extent the indemnification provisions contained in the Rights Agreement may be limited by applicable federal or state securities laws.

4.3 Purchase Entirely for Own Account. By the Investor's execution of this Agreement, the Investor hereby confirms, that the Shares to be received by the Investor will be acquired for investment for the Investor's own account, not as a nominee or agent, and not with a view to the distribution of any part thereof, and that the Investor has no present intention of selling, granting any participation in, or otherwise distributing the same, except as permitted by applicable federal or state securities laws. By executing this Agreement, the Investor further represents that the Investor does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Shares.

4.4 Disclosure of Information. The Investor believes it has received all the information it considers necessary or appropriate for deciding whether to purchase the Shares. The Investor further represents that it has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Shares and the business, properties, prospects and financial condition of the Company. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 3 of this Agreement or the right of the Investor to rely thereon.

4.5 Investment Experience. The Investor is an investor in securities of companies in the development stage and acknowledges that it is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Shares. Investor also represents it has not been organized for the purpose of acquiring the Shares.

4.6 Accredited Investor. The Investor is an "accredited investor" within the meaning of Regulation D, Rule 501(a), promulgated by the SEC under the Securities Act, as presently in effect.

4.7 Brokers or Finders**.** The Investor has not engaged any brokers, finders or agents such that the Company will incur, directly or indirectly, as a result of any action taken by the Investor, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with the sale of the Shares contemplated by this Agreement.

4.8 Restricted Securities. The Investor understands that the Shares will be characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act, only in certain limited circumstances. In this connection, the Investor represents that it is familiar with Rule 144

promulgated under the Securities Act, as presently in effect, and understands the resale limitations imposed thereby and by the Securities Act.

4.9 Legends. The Investor understands that the Shares may bear one or all of the following legends:

(a) "THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF ANY OTHER JURISDICTIONS. THESE SECURITIES MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT, APPLICABLE STATE SECURITIES LAWS (PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM). INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS."

(b) "THE SECURITIES REPRESENTED HEREBY ARE SUBJECT TO A 180 DAY MARKET STANDOFF RESTRICTION AS SET FORTH IN AN AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE ISSUER'S PRINCIPAL OFFICE. AS A RESULT OF SUCH AGREEMENT, THESE SECURITIES MAY NOT BE TRADED PRIOR TO 180 DAYS AFTER THE EFFECTIVE DATE OF ANY PUBLIC OFFERING OF THE COMMON STOCK OF THE ISSUER HEREOF. SUCH RESTRICTION IS BINDING ON TRANSFEREES OF THESE SHARES."

(c) Any legend required by applicable state "blue sky" securities laws, rules and regulations.

4.10 Market Stand-Off Agreement; Lock-Up Agreement. The Investor hereby agrees that it shall not sell or otherwise transfer or dispose of the Shares, other than to donees, partners or Affiliates (as defined below) of the Investor who agree to be similarly bound, for up to 180 days following the effective date of the Qualified IPO. In order to enforce this covenant, the Company shall have the right to place restrictive legends on the book-entry accounts representing the Shares and to impose stop transfer instructions with respect to the Shares until the end of such period. The provisions of this Section 4.10 shall not apply to shares acquired in market purchases (subject to Section 4.11) following the Qualified IPO, unless otherwise required by the underwriters of securities of the Company. In addition, the Investor hereby confirms that it has executed and delivered to the Underwriters the lock-up agreement provided by the Company (the "Lock-Up Agreement"). The Lock-Up Agreement is in full force and effect, and following the consummation of the transactions contemplated by this Agreement will remain in full force and effect, including with respect to the Shares. For purposes of this Agreement, the term "Affiliates" means any individual or entity that directly or indirectly controls, is controlled by, or is under common control with the individual or entity in question.

4.11 Reserved.

5. Conditions of the Investor's Obligations at Closing. The obligations of the Investor under subsection 1.1 of this Agreement are subject to the fulfillment on or before the Closing of each of the following conditions.

5.1 Representations and Warranties. The representations and warranties of the Company contained in Section 3 of this Agreement shall be true on and as of the Closing, except for representations that are provided as of a particular date, which shall be true and correct as of such dates.

5.2 Public Offering Shares. The Underwriters shall have purchased, immediately prior to the purchase of the Shares by the Investor hereunder, the Firm Shares (as defined in the Underwriting Agreement) pursuant to the Registration Statement and Underwriting Agreement.

5.3 Rights Agreement Amendment The Rights Agreement Amendment shall have been executed and delivered by the Company and the other parties to the Existing Rights Agreement sufficient to amend the Existing Rights Agreement pursuant to Section 6.6 thereof.

5.4 Absence of Injunctions, Decrees, Etc. During this period from the date of this Agreement to immediately prior to the Closing, no governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any decision, injunction, decree, ruling, law or order permanently enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated at the Closing.

6. Conditions of the Company's Obligations at Closing. The obligations of the Company under subsection 1.1 of this Agreement are subject to the fulfillment on or before the Closing of each of the following conditions.

6.1 Representations, Warranties and Covenants. The representations, warranties and covenants of the Investor contained in Section 4 shall be true on and as of the Closing.

6.2 Public Offering Shares. The Underwriters shall have purchased, immediately prior to the purchase of the Shares by the Investor hereunder, shares of Common Stock from the Company and selling stockholders (if any) pursuant to the Registration Statement and Underwriting Agreement, with an aggregate initial offering price to the public (before underwriting discount and commissions) of at least $200,000,000.

6.3 Absence of Injunctions, Decrees, Etc. During this period from the date of this Agreement to immediately prior to the Closing, no governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any decision, injunction, decree, ruling, law or order permanently enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated at the Closing.

7. Termination. This Agreement shall terminate (i) at any time upon the written consent of the Company and the Investor, (ii) upon the withdrawal by the Company of the Registration Statement, or (iii) on December 1, 2020 if the Closing has not occurred.

8. Miscellaneous.

8.1 Publicity. No party shall issue any press release or make any other public announcement, including any website posting or social media post, that includes the name or any logo or brand name of any party, or discloses the terms of this Agreement or the fact that the Investor has made or proposes to make an investment in the Company, except as may be required by law or with the prior written consent of the other parties. Each party will provide reasonable advance notice to the other parties prior to making any disclosure of this Agreement or the terms hereof in any filings made with the SEC, and will provide the other parties with reasonable opportunity to review and comment on such proposed

disclosures. Notwithstanding the foregoing, the parties may use the other parties' current logo or logos in connection with describing their portfolio or this investment on their webpages and in their promotional materials.

8.2 Survival of Warranties. The warranties, representations and covenants of the Company and the Investor contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of the Investor or the Company.

8.3 Successors and Assigns. This Agreement, and any and all rights, duties and obligations hereunder, shall not be assigned, transferred, delegated or sublicensed by the Investor without the prior written consent of the Company; provided, however, that after the Closing, the Shares and the rights, duties and obligations of the Investor hereunder may be assigned to an Affiliate of the Investor without the prior written consent of the Company. Any attempt by the Investor without such permission to assign, transfer, delegate or sublicense any rights, duties or obligations that arise under this Agreement in a manner that is not permitted by the foregoing sentence to be made without such permission shall be void. Subject to the foregoing and except as otherwise provided herein, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

8.4 Governing Law. This Agreement shall be governed in all respects by the internal laws of the State of California as applied to agreements entered into among California residents to be performed entirely within California, without regard to principles of conflicts of law.

8.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument.

8.6 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, sent by facsimile or electronic mail (if to the Investor or any other holder of Company securities) or otherwise delivered by hand, messenger or courier service addressed:

(a) if to the Investor, to the Investor's address or electronic mail address as shown on the Investor's signature page to this Agreement, with a copy (which shall not constitute notice) to Ryan Purcell and Jeffrey Vetter, Gunderson Dettmer, 220 West 42nd Street, 17th Floor, New York, NY 10036.

(b) if to the Company, to the attention of the General Counsel of the Company at 80 E. Rich Street, Suite 500, Columbus, OH 43215, or at such other current address or electronic mail address as the Company shall have furnished to the Investor, with a copy (which shall not constitute notice) to Nicole Brookshire and David Peinsipp, Cooley LLP, 101 California Street, Floor 5, San Francisco, California 94111.

Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given (i) if delivered by hand, messenger or courier service, when delivered (or if sent via a nationally-recognized overnight courier service, freight prepaid, specifying next-business-day delivery, one business day after deposit with the courier), or (ii) if sent via mail, at the earlier of its receipt or five days after the same has been deposited in a regularly-maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid, or (iii) if sent via electronic mail, when directed to

the relevant electronic mail address, if sent during normal business hours of the recipient, or if not sent during normal business hours of the recipient, then on the recipient's next business day. In the event of any conflict between the Company's books and records and this Agreement or any notice delivered hereunder, the Company's books and records will control absent fraud or error.

8.7 Brokers or Finders. The Company shall indemnify and hold harmless the Investor from any liability for any commission or compensation in the nature of a brokerage or finder's fee or agent's commission (and the costs and expenses of defending against such liability or asserted liability) for which the Investor or any of its constituent partners, members, officers, directors, employees or representatives is responsible to the extent such liability is attributable to any inaccuracy or breach of the representations and warranties contained in Section 3.7, and the Investor agrees to indemnify and hold harmless the Company from any liability for any commission or compensation in the nature of a brokerage or finder's fee or agent's commission (and the costs and expenses of defending against such liability or asserted liability) for which the Company or any of its constituent partners, members, officers, directors, employees or representatives is responsible to the extent such liability is attributable to any inaccuracy or breach of the representations and warranties contained in Section 4.7.

8.8 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Investor.

8.9 Severability. If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, portions of such provision, or such provision in its entirety, to the extent necessary, shall be severed from this Agreement, and such court will replace such illegal, void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the same economic, business and other purposes of the illegal, void or unenforceable provision. The balance of this Agreement shall be enforceable in accordance with its terms.

8.10 Corporate Securities Law. THE SALE OF THE SECURITIES THAT ARE THE SUBJECT OF THIS AGREEMENT HAS NOT BEEN QUALIFIED WITH THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF SUCH SECURITIES OR THE PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION THEREFOR PRIOR TO SUCH QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF SECURITIES IS EXEMPT FROM QUALIFICATION BY SECTION 25100, 25102, OR 25105 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS AGREEMENT ARE EXPRESSLY CONDITIONED UPON THE QUALIFICATION BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

8.11 Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement among the parties. No party shall be liable or bound to any other party in any manner with regard to the subjects hereof or thereof by any warranties, representations or covenants except as specifically set forth herein or therein.

8.12 Specific Performance. The parties to this Agreement hereby acknowledge and agree that the Company would be irreparably injured by a breach of this Agreement by the Investor, and the Investor would be irreparably injured by a breach of this Agreement by the Company, and that money damages are an inadequate remedy for an actual or threatened breach of this Agreement because of the difficulty of ascertaining the amount of damage that will be suffered by the aggrieved party in the event

that this agreement is breached. Therefore, each of the parties to this Agreement agree to the granting of specific performance of this Agreement and injunctive or other equitable relief in favor of the aggrieved party as a remedy for any such breach, without proof of actual damages, and the parties to this Agreement further waive any requirement for the securing or posting of any bond in connection with any such remedy. Such remedy shall not be deemed to be the exclusive remedy for breach of this Agreement, but shall be in addition to all other remedies available at law or in equity to the aggrieved party. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

[*Remainder of page intentionally left blank*]

**IN WITNESS WHEREOF**, the parties have executed this Common Stock Purchase Agreement as of the date first above written.

**ROOT, INC.**

By: /s/ Alexander Timm
Name: Alexander Timm
Title: Chief Executive Officer

Address: 80 E. Rich Street, Suite 500
Columbus, OH 43215

**Signature Page to Common Stock Purchase Agreement**

**IN WITNESS WHEREOF**, the parties have executed this Common Stock Purchase Agreement as of the date first above written.

**INVESTOR:**

**ROADRUNNER DF HOLDINGS, LP**

| | |
|---|---|
| By: | /s/ Pat Robertson |
| Name: | Pat Robertson |
| Title: | Authorized Signatory |
| Address: | 1 Letterman Dr. Ste M500<br>San Francisco, CA 94129 |
| Email: | pat@dragoneer.com |

**Exhibit A**

**Amendment to the Existing Rights Agreement**

**ROOT, INC.**

**AMENDMENT TO THE**
**FIFTH AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

This Amendment to the Fifth Amended and Restated Investors' Rights Agreement, as amended (this "Amendment"), is made as of October 19, 2020 by and between Root, Inc., a Delaware corporation (the "Company") and the Investors set forth on the signature pages hereto. Capitalized terms not herein defined shall have the meanings ascribed to them in the Fifth Amended and Restated Investors' Rights Agreement by and among the Company, the Investors and the Founder dated as of November 25, 2019 (the "Existing Rights Agreement").

**RECITALS**

**WHEREAS**, the Company has entered into that certain Common Stock Purchase Agreement, dated October 19, 2020, with Roadrunner DF Holdings, LP, a Delaware limited partnership ("Dragoneer", and such agreement, the "Purchase Agreement"), pursuant to which Dragoneer will purchase shares of the Company's Class A Common Stock (the "Shares"), immediately subsequent to the closing of the Qualified IPO (as defined in the Purchase Agreement).

**WHEREAS**, the Company and the undersigned parties desire to amend the terms of the Existing Rights Agreement for the limited purpose of providing Dragoneer with certain registration rights under Section 2 of the Existing Rights Agreement with respect to the Shares.

**WHEREAS**, pursuant to Section 6.6 of the Existing Rights Agreement, the Existing Rights Agreement may be amended only with the written consent of the Company and holders of at least a majority of the Registrable Securities then outstanding (collectively, the "Requisite Holders").

**WHEREAS**, the undersigned parties constitute the Requisite Holders and consent to this Amendment.

**AGREEMENT**

**NOW, THEREFORE**, the undersigned parties hereby agree as follows:

1. Grant of Registration Rights and Assumption of Obligations Related Thereto. Upon the consummation of the transaction contemplated by the Purchase Agreement, Dragoneer (i) shall become a party to the Existing Rights Agreement only with respect to the registration rights set forth in Section 2 of the Existing Rights Agreement ("Registration Rights").

2. Registrable Securities. Solely for purposes of Section 2 of the Existing Rights Agreement, the Shares purchased by Dragoneer in connection with the Purchase Agreement shall be deemed "Registrable Securities" as such term is defined in Section 1.28 of the Existing Rights Agreement.

3. Consent. The undersigned parties hereby consent to the addition of Dragoneer as an "Investor" party to the Existing Rights Agreement, as amended, solely for the purposes set forth in this Amendment. Dragoneer shall become a party to the Existing Rights Agreement, as amended, solely for the purposes set forth in this Amendment by executing and delivering a counterpart signature to this Amendment.

4. Full Force and Effect. Except as expressly modified by this Amendment, the terms of the Existing Rights Agreement shall remain in full force and effect.

5. Governing Law. This Amendment shall be governed in all respects by the internal laws of the State of California as applied to agreements entered into among California residents to be performed entirely within California, without regard to principles of conflicts of law.

6. Integration. This Amendment and the Existing Rights Agreement, and the documents referred to herein and therein and the exhibits and schedules thereto, constitute the entire agreement among the parties hereto pertaining to the subject matter hereof, and any and all other written or oral agreements relating to the subject matter hereof existing between the parties hereto are expressly canceled.

7. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. A facsimile, telecopy, PDF or other reproduction of this Amendment may be executed by one or more parties hereto and delivered by such party by electronic mail, facsimile or any similar electronic transmission device pursuant to which the signature of or on behalf of such party can be seen. Such execution and delivery shall be considered valid, binding and effective for all purposes.

**[SIGNATURE PAGE FOLLOWS]**

**IN WITNESS WHEREOF**, the parties have executed this Amendment to the Existing Rights Agreement as of the date first above written.

**ROOT, INC.**

By: _____

Name: Alexander Timm

Title: Chief Executive Officer

Address: 80 E. Rich Street, Suite 500
Columbus, OH 43215

**IN WITNESS WHEREOF**, the parties have executed this Amendment to the Existing Rights Agreement as of the date first above written.

**INVESTOR:**

**ROADRUNNER DF HOLDINGS, LP**

By: _____

Name: Pat Robertson

Title: Authorized Signatory

Address: 1 Letterman Dr. Ste M500
San Francisco, CA 94129

Email: pat@dragoneer.com

**ROOT, INC.**

# COMMON STOCK PURCHASE AGREEMENT

**October 19, 2020**

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**ROOT, INC.**
**COMMON STOCK PURCHASE AGREEMENT**

THIS COMMON STOCK PURCHASE AGREEMENT (this "Agreement") is made as of October 19, 2020, by and between Root, Inc., a Delaware corporation (the "Company"), and Silver Lake Partners VI, L.P., a Delaware limited partnership (the "Investor").

THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Purchase and Sale of Stock.

1.1 Sale and Issuance of Common Stock. Subject to the terms and conditions of this Agreement, the Investor agrees to purchase from the Company, and the Company agrees to sell and issue to the Investor, $250,000,000 of shares (the "Shares") of Class A Common Stock of the Company (the "Common Stock") at a price per share equal to the per share initial public offering price (before underwriting discounts and expenses) in the Qualified IPO (as defined below) (the "IPO Price"), such number of shares rounded down to the nearest whole share (with the total purchase price correspondingly reduced for such fractional share amount). "Qualified IPO" shall mean the issuance and sale of shares of the Common Stock by the Company, pursuant to an Underwriting Agreement to be entered into by and among the Company and certain underwriters (the "Underwriters"), in connection with the Company's initial public offering pursuant to the Company's Registration Statement on Form S-1 (File No. 333-249332) (the "Registration Statement") and/or any related registration statements (the "Underwriting Agreement").

1.2 Closing. The purchase and sale of the Shares shall take place at the location and at the time immediately subsequent to the closing of the Qualified IPO (which time and place are designated as the "Closing"). At the Closing, the Investor shall make payment of the purchase price of the Shares by wire transfer in immediately available funds to the account specified by the Company against delivery to the Investor of the Shares registered in the name of the Investor, which Shares shall be uncertificated shares.

2. Registration Rights. At the Closing, in connection with the purchase of the Shares, the Company's Fifth Amended and Restated Investors' Rights Agreement, dated November 25, 2019, by and among the Company (f/k/a Root Stockholdings, Inc.) and the stockholders of the Company listed thereto (the "Existing Rights Agreement"), shall, pursuant to Section 6.6 of the Existing Rights Agreement, be amended, in substantially the form attached hereto as **Exhibit A** (the "Rights Agreement Amendment" and, together with the Existing Rights Agreement, the "Rights Agreement"), solely for the purpose of providing the Investor with piggyback registration rights under Section 2.2 of the Rights Agreement.

3. Representations, Warranties and Covenants of the Company. The Company hereby represents and warrants to the Investor that as of the date hereof and as of the date of the Closing:

3.1 Organization, Good Standing and Qualification.

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business as now conducted.

(b) The Company is duly qualified to transact business and is in good standing in each jurisdiction in which it is required to be so qualified or in good standing, except where the failure to so qualify or be in good standing would not be material and adverse to the Company.

3.2 Authorization. All corporate action on the part of the Company, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Agreement and, subject to obtaining the requisite stockholder approval for the Rights Agreement Amendment, the Rights Agreement Amendment, the performance of all obligations of the Company under this Agreement and the Rights Agreement Amendment, and the authorization, issuance, sale and delivery of the Shares being sold hereunder has been taken, and this Agreement constitutes, and as of the Closing the Rights Agreement Amendment shall constitute, valid and legally binding obligations of the Company, enforceable in accordance with their respective terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies and (iii) to the extent the indemnification provisions contained in the Rights Agreement may be limited by applicable federal or state securities laws.

3.3 Valid Issuance of Common Stock. The Shares being purchased by the Investor hereunder, when issued, sold and delivered in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid and nonassessable and will be free of liens, encumbrances and restrictions on transfer other than restrictions on transfer under applicable state and federal securities laws. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of the Company is required in connection with the consummation of the transactions contemplated by this Agreement, except the filings required by applicable state "blue sky" securities laws, rules and regulations.

3.4 Compliance with Other Instruments.

(a) The Company is not in violation or default of any provision of its Amended and Restated Certificate of Incorporation, as amended, or Amended and Restated Bylaws.

(b) Except as would not be material to the Company, the Company is not in violation or default in any material respect of any instrument, judgment, order, writ, decree or contract to which it is a party or by which it is bound, or, to its knowledge, of any provision of any federal or state statute, rule or regulation applicable to the Company. The execution, delivery and performance of this Agreement and the Rights Agreement Amendment, and the consummation of the transactions contemplated by this Agreement and the Rights Agreement Amendment will not result in any material violation or default or be in conflict with or constitute, with or without the passage of time and giving of notice, either a material default under any such provision, instrument, judgment, order, writ, decree or contract or an event that results in the creation of any material lien, charge or encumbrance upon any assets of the Company or the suspension, revocation, impairment, forfeiture, or nonrenewal of any material permit, license, authorization, or approval applicable to the Company, its business or operations or any of its assets or properties.

(c) The Company hereby represents, warrants and covenants to the Investor that the Shares will not represent more than 10% of the outstanding voting securities of the Company immediately following the consummation of the transaction contemplated under Section 1 of this Agreement.

3.5 Description of Capital Stock. As of the date of the Closing, the statements set forth in the Pricing Prospectus (as defined in the Underwriting Agreement) and Prospectus (as defined in the Underwriting Agreement) under the caption "Description of Capital Stock," insofar as they purport to constitute a summary of the terms of the Company's capital stock, are accurate, complete and fair in all material respects. **Exhibit B** to this Agreement sets forth the capitalization of the Company as of the date

of this Agreement, including the number of shares of the following: (i) issued and outstanding Common Stock; (ii) outstanding stock options; (iii) shares of Common Stock reserved for future award grants under the Company's equity plan; (iv) each series of preferred stock of the Company; and (v) warrants or stock purchase rights, if any. The Company has obtained valid waivers of any rights by other parties to purchase any of the Shares covered by this Agreement.

3.6 Registration Statement. The Registration Statement, and any amendment thereto, including any information deemed to be included therein pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), complied (or, in the case of amendments filed after the date of this Agreement, will comply) as of its filing date in all material respects with the requirements of the Securities Act and the rules and regulations of the SEC promulgated thereunder, and did not (or, in the case of amendments filed after the date hereof, will not) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of the date it is declared effective by the SEC, the Registration Statement, as so amended, and any related registration statements, will comply in all material respects with the requirements of the Securities Act and the rules and regulations of the SEC promulgated thereunder, and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Any preliminary prospectus included in the Registration Statement or any amendment thereto, any free writing prospectus related to the Registration Statement and any final prospectus related to the Registration Statement filed pursuant to Rule 424 promulgated under the Securities Act, in each case as of its date, will comply in all material respects with the requirements of the Securities Act and the rules and regulations promulgated thereunder, and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

3.7 Brokers or Finders. The Company has not engaged any brokers, finders or agents such that the Investor will incur, directly or indirectly, as a result of any action taken by the Company, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with the sale of the Shares contemplated by this Agreement.

3.8 Private Placement. Assuming the accuracy of the representations, warranties and covenants of the Investor set forth in Section 4 of this Agreement, no registration under the Securities Act is required for the offer and sale of the Shares by the Company to the Investor under this Agreement, and neither the Company nor any authorized agent acting on its behalf will take any action hereafter that would require such a registration.

3.9 Most Favored Nation. During the period from the date of this Agreement through the Closing, if the Company shall have entered into any additional, or modified any existing, agreements or arrangements with any existing or future investors in the Company that have the effect of issuing and/or selling Common Stock or securities convertible into Common Stock on terms and conditions that are more favorable to such investor in any respect than the terms and conditions of this Agreement in respect of the Investor, then the Company shall promptly advise the Investor of such fact (and the relevant terms and conditions) and (unless otherwise agreed by the Company and the Investor) this Agreement, without any further action of the Company or the Investor, shall be deemed automatically amended and modified to include such more favorable terms and conditions such that the Investor shall receive the benefit of such more favorable terms and conditions.

4. Representations, Warranties and Covenants of the Investor. The Investor hereby represents and warrants that as of the date hereof and as of the date of the Closing:

4.1 Organization, Good Standing and Qualification. The Investor is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware.

4.2 Authorization. The Investor has full power and authority to enter into this Agreement and the Rights Agreement, and each such agreement constitutes a valid and legally binding obligation of the Investor, enforceable in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies and (iii) to the extent the indemnification provisions contained in the Rights Agreement may be limited by applicable federal or state securities laws.

4.3 Purchase Entirely for Own Account. By the Investor's execution of this Agreement, the Investor hereby confirms, that the Shares to be received by the Investor will be acquired for investment for the Investor's own account, not as a nominee or agent, and not with a view to the distribution of any part thereof, and that the Investor has no present intention of selling, granting any participation in, or otherwise distributing the same, except as permitted by applicable federal or state securities laws. By executing this Agreement, the Investor further represents that the Investor does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Shares.

4.4 Disclosure of Information. The Investor believes it has received all the information it considers necessary or appropriate for deciding whether to purchase the Shares. The Investor further represents that it has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Shares and the business, properties, prospects and financial condition of the Company. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 3 of this Agreement or the right of the Investor to rely thereon.

4.5 Investment Experience. The Investor is an investor in securities of companies in the development stage and acknowledges that it is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Shares. Investor also represents it has not been organized for the purpose of acquiring the Shares.

4.6 Accredited Investor. The Investor is an "accredited investor" within the meaning of Regulation D, Rule 501(a), promulgated by the SEC under the Securities Act, as presently in effect.

4.7 Brokers or Finders. The Investor has not engaged any brokers, finders or agents such that the Company will incur, directly or indirectly, as a result of any action taken by the Investor, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with the sale of the Shares contemplated by this Agreement.

4.8 Restricted Securities. The Investor understands that the Shares will be characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act, only in certain limited circumstances. In this connection, the Investor represents that it is familiar with Rule 144

promulgated under the Securities Act, as presently in effect, and understands the resale limitations imposed thereby and by the Securities Act.

4.9 Legends. The Investor understands that the Shares may bear one or all of the following legends:

(a) "THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF ANY OTHER JURISDICTIONS. THESE SECURITIES MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT, APPLICABLE STATE SECURITIES LAWS (PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM). INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS."

(b) "THE SECURITIES REPRESENTED HEREBY ARE SUBJECT TO A MARKET STANDOFF RESTRICTION AS SET FORTH IN AN AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE ISSUER'S PRINCIPAL OFFICE. AS A RESULT OF SUCH AGREEMENT, THESE SECURITIES MAY NOT BE TRADED PRIOR TO 180 DAYS AFTER THE EFFECTIVE DATE OF THE INITIAL PUBLIC OFFERING OF THE COMMON STOCK OF THE ISSUER HEREOF. SUCH RESTRICTION IS BINDING ON TRANSFEREES OF THESE SHARES."

(c) Any legend required by applicable state "blue sky" securities laws, rules and regulations.

4.10 Market Stand-Off Agreement; Lock-Up Agreement. The Investor hereby agrees that it shall not sell or otherwise transfer or dispose of the Shares, other than to donees, partners or Affiliates (as defined below) of the Investor who agree to be similarly bound, for up to 180 days following the effective date of the Qualified IPO (the "Lock-Up Period"). In order to enforce this covenant, the Company shall have the right to place restrictive legends on the book-entry accounts representing the Shares and to impose stop transfer instructions with respect to the Shares until the end of such period. The provisions of this Section 4.10 shall not apply to shares acquired in market purchases following the Qualified IPO. In addition, the Investor hereby confirms that it will, on or prior to the pricing of the Qualified IPO, execute and deliver to the Underwriters a lock-up agreement in the form reasonably agreed to by the Investor and the Underwriters (the "Lock-Up Agreement"); *provided* that no such Lock-Up Agreement shall be required to be delivered by Investor if any other investor purchasing Common Stock of the Company in a private placement closing substantially concurrently with the Qualified IPO does not execute and deliver a substantially similar lock-up agreement. Upon execution and delivery by the Investor, the Lock-Up Agreement will be in full force and effect. For purposes of this Agreement, the term "Affiliates" means any individual or entity that directly or indirectly controls, is controlled by, or is under common control with the individual or entity in question.

4.11 Removal of Restrictive Legends. Following the expiration of the Lock-Up Period, in the event that the Shares become registered under the Securities Act or are eligible to be transferred without restriction in accordance with Rule 144 under the Securities Act, the Company shall (x) instruct the Company's transfer agent to issue new uncertificated (book-entry) instruments

representing the Shares, which shall not contain such portion of the above legend that is no longer applicable, (y) take all actions with the Company's transfer agent reasonably requested by the Investor to permit such un-legended Shares to be deposited into the account specified by the Investor to the Company in writing, and (z) instruct the Company's transfer agent to cause such Shares to be assigned the same CUSIP as the shares of Class A Common Stock that are then traded on the principal stock exchange on which the shares of Class A Common Stock are then listed; provided that, (1) the Investor surrenders to the Company the previously issued uncertificated (book-entry) instruments representing the Shares and (2) the Investor delivers a customary representation letter to the extent requested by the Company's transfer agent.

5. Conditions of the Investor's Obligations at Closing. The obligations of the Investor under subsection 1.1 of this Agreement are subject to the fulfillment on or before the Closing of each of the following conditions.

5.1 Representations and Warranties. The representations and warranties of the Company contained in Section 3 of this Agreement shall be true on and as of the Closing, except for representations that are provided as of a particular date, which shall be true and correct as of such dates.

5.2 Public Offering Shares. The Underwriters shall have purchased, immediately prior to the purchase of the Shares by the Investor hereunder, the Firm Shares (as defined in the Underwriting Agreement) pursuant to the Registration Statement and Underwriting Agreement.

5.3 Rights Agreement Amendment. The Rights Agreement Amendment shall have been executed and delivered by the Company and the other parties to the Existing Rights Agreement sufficient to amend the Existing Rights Agreement pursuant to Section 6.6 thereof.

5.4 Absence of Injunctions, Decrees, Etc. During this period from the date of this Agreement to immediately prior to the Closing, no governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any decision, injunction, decree, ruling, law or order permanently enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated at the Closing.

6. Conditions of the Company's Obligations at Closing. The obligations of the Company under subsection 1.1 of this Agreement are subject to the fulfillment on or before the Closing of each of the following conditions.

6.1 Representations, Warranties and Covenants. The representations, warranties and covenants of the Investor contained in Section 4 shall be true on and as of the Closing.

6.2 Public Offering Shares. The Underwriters shall have purchased, immediately prior to the purchase of the Shares by the Investor hereunder, shares of Common Stock from the Company and selling stockholders (if any) pursuant to the Registration Statement and Underwriting Agreement, with an aggregate initial offering price to the public (before underwriting discount and commissions) of at least $200,000,000.

6.3 Absence of Injunctions, Decrees, Etc. During this period from the date of this Agreement to immediately prior to the Closing, no governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any decision, injunction, decree, ruling, law or order permanently enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated at the Closing.

7. Termination. This Agreement shall terminate (i) at any time upon the written consent of the Company and the Investor, (ii) upon the withdrawal by the Company of the Registration Statement, or (iii) on December 1, 2020 if the Closing has not occurred.

8. Miscellaneous.

8.1 Publicity. No party shall issue any press release or make any other public announcement, including any website posting or social media post, that includes the name or any logo or brand name of any party, or discloses the terms of this Agreement or the fact that the Investor has made or proposes to make an investment in the Company, except as may be required by law or with the prior written consent of the other party. Each party will provide reasonable advance notice to the other parties prior to making any disclosure of this Agreement or the terms hereof in any filings made with the SEC, and will provide the other party with reasonable opportunity to review and comment on such proposed disclosures. Notwithstanding the foregoing, the Investor may use the Company's current logo or logos in connection with describing their portfolio or this investment on its webpages and in its promotional materials.

8.2 Survival of Warranties. The warranties, representations and covenants of the Company and the Investor contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of the Investor or the Company.

8.3 Successors and Assigns. This Agreement, and any and all rights, duties and obligations hereunder, shall not be assigned, transferred, delegated or sublicensed by the Investor without the prior written consent of the Company; provided, however, the Shares and the rights, duties and obligations of the Investor hereunder may be assigned to an Affiliate of the Investor without the prior written consent of the Company but any such assignment shall not relieve the Investor of its duties and obligations hereunder. Any attempt by the Investor without such permission to assign, transfer, delegate or sublicense any rights, duties or obligations that arise under this Agreement in a manner that is not permitted by the foregoing sentence to be made without such permission shall be void. Subject to the foregoing and except as otherwise provided herein, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

8.4 Governing Law. This Agreement shall be governed in all respects by the internal laws of the State of California as applied to agreements entered into among California residents to be performed entirely within California, without regard to principles of conflicts of law.

8.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this Agreement or any document to be signed in connection with this Agreement shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, and the parties hereto consent to conduct the transactions contemplated hereunder by electronic means.

8.6 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, sent by facsimile or

electronic mail (if to the Investor or any other holder of Company securities) or otherwise delivered by hand, messenger or courier service addressed:

(a) if to the Investor, to the Investor's address or electronic mail address as shown on the Investor's signature page to this Agreement, with a copy (which shall not constitute notice) to Kenneth Wallach and Hui Lin, Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York 10017.

(b) if to the Company, to the attention of the General Counsel of the Company at 80 E. Rich Street, Suite 500, Columbus, OH 43215, or at such other current address or electronic mail address as the Company shall have furnished to the Investor, with a copy (which shall not constitute notice) to Nicole Brookshire and David Peinsipp, Cooley LLP, 101 California Street, Floor 5, San Francisco, California 94111.

Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given (i) if delivered by hand, messenger or courier service, when delivered (or if sent via a nationally-recognized overnight courier service, freight prepaid, specifying next-business-day delivery, one business day after deposit with the courier), or (ii) if sent via mail, at the earlier of its receipt or five days after the same has been deposited in a regularly-maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid, or (iii) if sent via electronic mail, when directed to the relevant electronic mail address, if sent during normal business hours of the recipient, or if not sent during normal business hours of the recipient, then on the recipient's next business day. In the event of any conflict between the Company's books and records and this Agreement or any notice delivered hereunder, the Company's books and records will control absent fraud or error.

8.7 Brokers or Finders. The Company shall indemnify and hold harmless the Investor from any liability for any commission or compensation in the nature of a brokerage or finder's fee or agent's commission (and the costs and expenses of defending against such liability or asserted liability) for which the Investor or any of its constituent partners, members, officers, directors, employees or representatives is responsible to the extent such liability is attributable to any inaccuracy or breach of the representations and warranties contained in Section 3.7, and the Investor agrees to indemnify and hold harmless the Company from any liability for any commission or compensation in the nature of a brokerage or finder's fee or agent's commission (and the costs and expenses of defending against such liability or asserted liability) for which the Company or any of its constituent partners, members, officers, directors, employees or representatives is responsible to the extent such liability is attributable to any inaccuracy or breach of the representations and warranties contained in Section 4.7.

8.8 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Investor.

8.9 Severability. If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, portions of such provision, or such provision in its entirety, to the extent necessary, shall be severed from this Agreement, and such court will replace such illegal, void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the same economic, business and other purposes of the illegal, void or unenforceable provision. The balance of this Agreement shall be enforceable in accordance with its terms.

8.10 Corporate Securities Law. THE SALE OF THE SECURITIES THAT ARE THE SUBJECT OF THIS AGREEMENT HAS NOT BEEN QUALIFIED WITH THE COMMISSIONER OF

CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF SUCH SECURITIES OR THE PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION THEREFOR PRIOR TO SUCH QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF SECURITIES IS EXEMPT FROM QUALIFICATION BY SECTION 25100, 25102, OR 25105 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS AGREEMENT ARE EXPRESSLY CONDITIONED UPON THE QUALIFICATION BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

8.11 Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement among the parties. No party shall be liable or bound to any other party in any manner with regard to the subjects hereof or thereof by any warranties, representations or covenants except as specifically set forth herein or therein.

8.12 Specific Performance. The parties to this Agreement hereby acknowledge and agree that the Company would be irreparably injured by a breach of this Agreement by the Investor, and the Investor would be irreparably injured by a breach of this Agreement by the Company, and that money damages are an inadequate remedy for an actual or threatened breach of this Agreement because of the difficulty of ascertaining the amount of damage that will be suffered by the aggrieved party in the event that this agreement is breached. Therefore, each of the parties to this Agreement agree to the granting of specific performance of this Agreement and injunctive or other equitable relief in favor of the aggrieved party as a remedy for any such breach, without proof of actual damages, and the parties to this Agreement further waive any requirement for the securing or posting of any bond in connection with any such remedy. Such remedy shall not be deemed to be the exclusive remedy for breach of this Agreement, but shall be in addition to all other remedies available at law or in equity to the aggrieved party. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

[*Remainder of page intentionally left blank*]

**IN WITNESS WHEREOF**, the parties have executed this Common Stock Purchase Agreement as of the date first above written.

**ROOT, INC.**

By: /s/ Alexander Timm
Name: Alexander Timm
Title: Chief Executive Officer

Address: 80 E. Rich Street, Suite 500
Columbus, OH 43215

**IN WITNESS WHEREOF**, the parties have executed this Common Stock Purchase Agreement as of the date first above written.

**INVESTOR:**

**SILVER LAKE PARTNERS VI, L.P.**
**BY: SILVER LAKE TECHNOLOGY ASSOCIATES VI, L.P.**
**BY: SLTA VI (GP), L.L.C.**
**BY: SILVER LAKE GROUP, L.L.C.**

By: /s/ Greg Mondre
Name: Greg Mondre
Title: Co-CEO

Address: 55 Hudson Yards
550 West 34th Street
40th Floor
New York, NY 10001

Email: Andy.Schader@SilverLake.com,
Jennifer.Gautier@silverlake.com

**Exhibit A**

**Amendment to the Existing Rights Agreement**

**ROOT, INC.**

**AMENDMENT TO THE**
**FIFTH AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

This Amendment to the Fifth Amended and Restated Investors' Rights Agreement, as amended (this "Amendment"), is made as of October 19, 2020 by and between Root, Inc., a Delaware corporation (the "Company"), and the Investors set forth on the signature pages hereto. Capitalized terms not herein defined shall have the meanings ascribed to them in the Fifth Amended and Restated Investors' Rights Agreement by and among the Company and the Investors dated as of November 25, 2019 (the "Existing Rights Agreement").

**RECITALS**

**WHEREAS**, the Company has entered into that certain Common Stock Purchase Agreement, dated October 19, 2020, with Silver Lake Partners VI, L.P., a Delaware limited partnership ("Silver Lake", and such agreement, the "Purchase Agreement"), pursuant to which Silver Lake will purchase shares of the Company's Class A Common Stock (the "Shares"), immediately subsequent to the closing of the Qualified IPO (as defined in the Purchase Agreement).

**WHEREAS**, the Company and the undersigned parties desire to amend the terms of the Existing Rights Agreement for the limited purpose of providing Silver Lake with certain registration rights under Section 2 of the Existing Rights Agreement with respect to the Shares.

**WHEREAS**, pursuant to Section 6.6 of the Existing Rights Agreement, the Existing Rights Agreement may be amended only with the written consent of the Company and holders of at least a majority of the Registrable Securities then outstanding (collectively, the "Requisite Holders").

**WHEREAS**, the undersigned parties constitute the Requisite Holders and consent to this Amendment.

**AGREEMENT**

**NOW, THEREFORE**, the undersigned parties hereby agree as follows:

1. Grant of Registration Rights and Assumption of Obligations Related Thereto. Upon the consummation of the transaction contemplated by the Purchase Agreement, Silver Lake (i) shall become a party to the Existing Rights Agreement only with respect to the registration rights set forth in Section 2 of the Existing Rights Agreement ("Registration Rights").

2. Registrable Securities. Solely for purposes of Section 2 of the Existing Rights Agreement, the Shares purchased by Silver Lake in connection with the Purchase Agreement shall be deemed "Registrable Securities" as such term is defined in Section 1.28 of the Existing Rights Agreement.

3. Consent. The undersigned parties hereby consent to the addition of Silver Lake as an "Investor" party to the Existing Rights Agreement, as amended, solely for the purposes set forth in this Amendment. Silver Lake shall become a party to the Existing Rights Agreement, as amended, solely for

the purposes set forth in this Amendment by executing and delivering a counterpart signature to this Amendment.

4. Full Force and Effect. Except as expressly modified by this Amendment, the terms of the Existing Rights Agreement shall remain in full force and effect.

5. Governing Law. This Amendment shall be governed by the internal laws of the State of Delaware, without regard to conflict of law principles that would result in the application of any law other than the law of the State of Delaware.

6. Integration. This Amendment and the Existing Rights Agreement, and the documents referred to herein and therein and the exhibits and schedules thereto, constitute the entire agreement among the parties hereto pertaining to the subject matter hereof, and any and all other written or oral agreements relating to the subject matter hereof existing between the parties hereto are expressly canceled.

7. Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

**[SIGNATURE PAGE FOLLOWS]**

**IN WITNESS WHEREOF**, the parties have executed this Amendment to the Existing Rights Agreement as of the date first above written.

**ROOT, INC.**

By: _____

Name: Alexander Timm

Title: Chief Executive Officer

Address: 80 E. Rich Street, Suite 500
Columbus, OH 43215

**IN WITNESS WHEREOF**, the parties have executed this Amendment to the Existing Rights Agreement as of the date first above written.

**INVESTOR:**

**SILVER LAKE PARTNERS VI, L.P.**
**BY: SILVER LAKE TECHNOLOGY ASSOCIATES VI, L.P.**
**BY: SLTA VI (GP), L.L.C.**
**BY: SILVER LAKE GROUP, L.L.C.**

By: _____
Name: Greg Mondre
Title: Co-CEO

Address: 55 Hudson Yards
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40th Floor
New York, NY 10001

Email: Andy.Schader@SilverLake.com,
Jennifer.Gautier@silverlake.com

**Exhibit B**

**Capitalization**

**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the use in this Registration Statement on Form S-1 of our report dated August 10, 2020, relating to the financial statements of Root, Inc. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ DELOITTE & TOUCHE LLP

Columbus, Ohio

October 20, 2020