

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2022

OR

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

For the transition period from _____ to _____

Commission File Number: 001-40645



RYAN SPECIALTY HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

86-2526344
(I.R.S. Employer
Identification No.)

Two Prudential Plaza
180 N. Stetson Avenue, Suite 4600
Chicago, IL
(Address of principal executive offices)

60601
(Zip Code)

(312) 784-6001
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Class A Common Stock, \$0.001 par value per share	RYAN	The New York Stock Exchange (NYSE)

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

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

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

On August 10, 2022, the Registrant had 259,603,153 shares of common stock outstanding, consisting of 111,715,263 shares of Class A common stock, \$0.001 par value, and 147,887,890 shares of Class B common stock, \$0.001 par value.

Ryan Specialty Holdings, Inc.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that involve substantial risks and uncertainties. All statements, other than statements of historical fact included in this Quarterly Report on Form 10-Q, are forward-looking statements. Forward-looking statements give our current expectations relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “can have,” “likely” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated costs, expenditures, cash flows, growth rates and financial results, our plans, intended use of proceeds, anticipated cost savings relating to the Restructuring Plan (as defined below) and the amount and timing of delivery of annual cost savings, and objectives for future operations, growth or initiatives, strategies or the expected outcome or impact of pending or threatened litigation, are forward-looking statements. All forward-looking statements are subject to risks and uncertainties (many of which may be amplified on account of the COVID-19 pandemic) that may cause actual results to differ materially from those that we expected, including:

- our failure to develop a succession plan for Patrick G. Ryan or other members of our senior management team, to maintain corporate culture or to recruit and retain revenue producers;
- the cyclical nature of, and the economic conditions in, the markets in which we operate and conditions that result in reduced insurer capacity;
- a reduction in insurer capacity;
- the potential loss of our relationships with insurance carriers or our clients, failure to maintain good relationships with insurance carriers or clients, becoming dependent upon a limited number of insurance carriers or clients or the failure to develop new insurance carrier and client relationships;
- significant competitive pressures in each of our businesses;
- decreases in premiums or commission rates set by insurers, or actions by insurers seeking repayment of commissions;
- decrease in the amount of supplemental or contingent commissions we receive;
- our inability to collect our receivables;
- errors in, or ineffectiveness of, our underwriting models and the risks presented to our reputation and relationships with insurance carriers, retail brokers and agents;
- failure to maintain, protect and enhance our brand or prevent damage to our reputation;
- disintermediation within the insurance industry and shifts away from traditional insurance markets;
- changes in the mode of compensation in the insurance industry;
- changes in our accounting estimates, assumptions or methodologies, and general changes in accounting guidance;
- changes in interest rates that affect our cost of capital and net investment income;
- changes in interest rates and deterioration of credit quality that reduce the value of our cash balances;
- impairment of goodwill and intangibles;
- the impact on our operations and financial condition from the effects of the current COVID-19 pandemic and resulting governmental and societal responses;
- any failure to maintain our corporate culture;
- the inability to maintain rapid growth and generate sufficient revenue to maintain profitability;
- the loss of clients or business as a result of consolidation within the retail insurance brokerage industry;
- the impact if our MGA or MGU programs are terminated or changed;
- unsatisfactory evaluation of potential acquisitions and the integration of acquired businesses as well as introduction of new products, lines of business and markets;
- significant investment in our growth strategy and whether expectation of internal efficiencies are realized;
- our ability to gain internal efficiencies through the application of technology or effectively apply technology in driving value for our clients or the failure of technology and automated systems to function or perform as expected;

- the unavailability or inaccuracy of our clients' and third parties' data for pricing and underwriting insurance policies;
- a variety of risks in our third-party claims administration operations that are distinct from those we face in our insurance intermediary operations;
- the higher risk of delinquency or collection inherent in our premium finance business;
- the competitiveness and cyclical nature of the reinsurance industry;
- the occurrence of natural or man-made disasters;
- our inability to successfully recover upon experiencing a disaster or other business continuity problem;
- the economic and political conditions of the countries and regions in which we operate;
- the failure or take-over by the FDIC of one of the financial institutions that we use;
- our inability to respond quickly to operational or financial problems or promote the desired level of cooperation and interaction among our offices;
- the impact of third parties that perform key functions of our business operations acting in ways that harm our business;
- our international operations expose us to various international risks, including exchange rate fluctuations;
- the impact of adverse economic conditions and geopolitical tensions;
- the impact of governmental regulations, legal proceedings and governmental inquiries related to our business;
- being subject to E&O claims as well as other contingencies and legal proceedings;
- our handling of client funds and surplus lines taxes that exposes us to complex fiduciary regulations;
- changes in tax laws or regulations;
- decreased commission revenues due to proposed tort reform legislation;
- the impact of regulations affecting insurance carriers;
- the impact of breaches in security that cause significant system or network disruptions;
- the impact of improper disclosure of confidential, personal or proprietary data, misuse of information by employees or counterparties or as a result of cyberattacks;
- the impact of infringement, misappropriation or dilution of our intellectual property;
- the impact of the failure to protect our intellectual property rights, or allegations that we have infringed on the intellectual property rights of others;
- our outstanding debt potentially adversely affecting our financial flexibility and subjecting us to restrictions and limitations that could significantly affect our ability to operate;
- not being able to generate sufficient cash flow to service all of our indebtedness and being forced to take other actions to satisfy our obligations under such indebtedness;
- the impact of being unable to refinance our indebtedness;
- being affected by further changes in the U.S.-based credit markets;
- changes in our credit ratings;
- risks related to the payments required by our Tax Receivable Agreement;
- risks relating to our organizational structure that could result in conflicts of interests between the LLC Unitholders and the holders of our Class A common stock; and
- other factors disclosed in the section entitled "*Risk Factors*" in our Annual Report on Form 10-K and this Quarterly Report on Form 10-Q.

We derive many of our forward-looking statements from our operating budgets and forecasts that are based on many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q and under the Section entitled "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements as well as other cautionary statements that are made from time to time in our other SEC filings and public communications. You should evaluate all forward-looking statements made in this Quarterly Report on Form 10-Q in the context of these risks and uncertainties.

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

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date hereof. We undertake no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Commonly Used Defined Terms

As used in this Quarterly Report on Form 10-Q, unless the context indicates or otherwise requires, the following terms have the following meanings:

- “we,” “us,” “our,” the “Company,” “Ryan Specialty,” and similar references refer: (i) following the consummation of the Organizational Transactions, including our IPO, to Ryan Specialty Holdings, Inc., and, unless otherwise stated, all of its subsidiaries, including the LLC, and (ii) prior to the completion of the Organizational Transactions, including our IPO, to the LLC and, unless otherwise stated, all of its subsidiaries.
- “Admitted”: The insurance market comprising insurance carriers licensed to write business on an “admitted” basis by the insurance commissioner of the state in which the risk is located. Insurance rates and forms in this market are highly regulated by each state and coverages are largely uniform.
- “All Risks” or “ARL”: All Risks Specialty, LLC (f/k/a All Risk, Ltd.), an insurance specialist providing services in wholesale brokerage and delegated underwriting authority.
- “All Risks Acquisition”: In September 2020, Ryan Specialty acquired All Risks.
- “Binding Authority”: Our Binding Authority receives submissions for insurance directly from retail brokers, evaluates price and makes underwriting decisions regarding these submissions based on narrowly prescribed guidelines provided by carriers, and binds and issues policies on behalf of insurance carriers who retain the insurance underwriting risk.
- “Board” or “Board of Directors”: The board of directors of Ryan Specialty.
- “Class C Incentive Units”: Class C common incentive units, initially of the LLC on and prior to September 30, 2021 and then subsequently of New LLC, that are subject to vesting and will be exchangeable into LLC Common Units.
- “Credit Agreement”: The credit agreement, as amended, dated September 1, 2020, among Ryan Specialty, LLC and JPMorgan Chase Bank, N.A., as administrative agent and the other lenders party thereto.
- “E&O”: Errors and omissions.
- “E&S”: Excess and surplus lines. In this insurance market, carriers are licensed on a “non-admitted” basis. The excess and surplus lines market often offers carriers more flexibility in terms, conditions, and rates than does the Admitted market.
- “Family Group”: (i) In the case of a member of the LLC or a LLC Employee who is an individual, such individual’s spouse, parents and descendants (whether natural or adopted) and any trust or estate planning vehicle or entity solely for the benefit of such individual and/or the individual’s spouse, parents, descendants and/or other relatives, and (ii) in the case of a member of the LLC or a LLC Employee that is a trust, the beneficiary of such trust.
- “Founder”: Patrick G. Ryan.

- “*Founder Group*”: Founder, members of the Founder’s Family Group and Founder’s affiliates.
- “*IPO*”: Initial public offering.
- “*LLC*”: Ryan Specialty, LLC, together with its parent New LLC, and their subsidiaries.
- “*LLC Common Units*”: non-voting common interest units initially of the LLC on and prior to September 30, 2021 and then subsequently of New LLC.
- “*LLC Operating Agreement*”: the Seventh Amended and Restated Limited Liability Company Agreement of the LLC
- “*LLC Units*”: Class A common units and Class B common units of the LLC prior to the Organizational Transactions.
- “*LLC Unitholders*”: holders of the LLC Units or the LLC Common Units, as the context requires.
- “*MGA*”: Managing general agent.
- “*MGU*”: Managing general underwriter.
- “*New LLC*”: New Ryan Specialty, LLC is a Delaware limited liability company and a direct subsidiary of Ryan Specialty Holdings, Inc.
- “*New LLC Operating Agreement*”: The Amended and Restated Limited Liability Company Agreement of New LLC.
- “*Onex*”: Onex Corporation and its affiliates, a holder of LLC Units and Redeemable Preferred Units prior to the Organizational Transactions, and one of our shareholders following the Organizational Transactions.
- “*Organizational Transactions*”: The series of organizational transactions completed by the Company in connection with the IPO, as described in the Form 10-K filed with the SEC on March 16, 2022.
- “*Participation*”: Collectively, the Mandatory Participation and the Optional Participation.
- “*Redeemable Preferred Units*”: Class B preferred units of the LLC held by Onex prior to the Organizational Transactions.
- “*Restructuring Plan*”: Plan to reduce costs and increase efficiencies, streamline management reporting structures, and centralize functions across the Company to improve operating margins, which was fully actioned by June 30, 2022.
- “*Revolving Credit Facility*”: The \$600 million senior secured revolving credit facility under our Credit Agreement.
- “*SEC*”: The Securities and Exchange Commission.
- “*Specialty*”: One of the three Ryan Specialty primary distribution channels, which includes Wholesale Brokerage, Binding Authority, and Underwriting Management.
- “*Stock Option*”: A non-qualified stock option award that gives the grantee the option to buy a specified number of shares of Class A common stock at the grant date price.
- “*Tax Receivable Agreement*” or “*TRA*”: The tax receivable agreement entered into in connection with the IPO.
- “*Term Loan*”: The senior secured Term Loan B for \$1.65 billion in principal amount under our Credit Agreement.
- “*U.S. GAAP*”: Accounting principles generally accepted in the United States of America.
- “*Underwriting Management*”: Our Underwriting Management Specialty administers a number of MGUs, MGAs, and programs that offer commercial and personal insurance for specific product lines or industry classes. Underwriters act with delegated underwriting authority based on varying degrees of prescribed guidelines as provided by carriers, quoting, binding and issuing policies on behalf of Ryan Specialty’s carrier trading partners which retain the insurance underwriting risk.
- “*Wholesale Brokerage*”: Our Wholesale Brokerage Specialty distributes a wide range and diversified mix of specialty property, casualty, professional lines, personal lines and workers’ compensation insurance products, as a broker between the carriers and retail brokerage firms.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

Ryan Specialty Holdings, Inc.
Consolidated Statements of Income (Unaudited)
All balances presented in thousands, except share and per share amounts

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
REVENUE				
Net commissions and fees	\$ 490,227	\$ 389,846	\$ 876,908	\$ 701,190
Fiduciary investment income	1,065	166	1,274	280
Total revenue	\$ 491,292	\$ 390,012	\$ 878,182	\$ 701,470
EXPENSES				
Compensation and benefits	310,058	236,801	584,331	451,287
General and administrative	48,495	30,685	90,860	58,230
Amortization	26,233	27,319	52,896	55,113
Depreciation	1,229	1,222	2,440	2,422
Change in contingent consideration	(251)	1,723	(1,260)	2,313
Total operating expenses	\$ 385,764	\$ 297,750	\$ 729,267	\$ 569,365
OPERATING INCOME	\$ 105,528	\$ 92,262	\$ 148,915	\$ 132,105
Interest expense, net	24,846	18,986	46,598	39,031
Loss (income) from equity method investment in related party	16	(353)	558	(434)
Other non-operating loss (income)	(622)	7,890	6,898	29,336
INCOME BEFORE INCOME TAXES	\$ 81,288	\$ 65,739	\$ 94,861	\$ 64,172
Income tax expense	11,168	2,332	6,665	4,566
NET INCOME	\$ 70,120	\$ 63,407	\$ 88,196	\$ 59,606
Net income attributable to non-controlling interests, net of tax	45,619	—	56,784	2,450
NET INCOME ATTRIBUTABLE TO RYAN SPECIALTY HOLDINGS, INC.	\$ 24,501	\$ 63,407	\$ 31,412	\$ 57,156
NET INCOME PER SHARE OF CLASS A COMMON STOCK:				
Basic	\$ 0.23	—	\$ 0.30	—
Diluted	\$ 0.22	—	\$ 0.28	—
WEIGHTED-AVERAGE SHARES OF CLASS A COMMON STOCK OUTSTANDING:				
Basic	108,054,437	—	107,327,462	—
Diluted	120,204,902	—	264,417,470	—

See accompanying Notes to the Consolidated Financial Statements (Unaudited)

Ryan Specialty Holdings, Inc.
Consolidated Statements of Comprehensive Income (Unaudited)
All balances presented in thousands

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
NET INCOME	\$ 70,120	\$ 63,407	\$ 88,196	\$ 59,606
Net income attributable to non-controlling interests, net of tax	45,619	—	56,784	2,450
NET INCOME ATTRIBUTABLE TO RYAN SPECIALTY HOLDINGS, INC.	\$ 24,501	\$ 63,407	\$ 31,412	\$ 57,156
Other comprehensive income (loss), net of tax:				
Gain on interest rate cap, net	127	—	127	—
Foreign currency translation adjustments	(1,186)	796	(1,244)	444
Change in share of equity method investment in related party other comprehensive income (loss)	(554)	—	(1,856)	(738)
Total other comprehensive income (loss), net of tax	\$ (1,613)	\$ 796	\$ (2,973)	\$ (294)
COMPREHENSIVE INCOME ATTRIBUTABLE TO RYAN SPECIALTY HOLDINGS, INC.	\$ 22,888	\$ 64,203	\$ 28,439	\$ 56,862

See accompanying Notes to the Consolidated Financial Statements (Unaudited)

Ryan Specialty Holdings, Inc.
Consolidated Balance Sheets (Unaudited)
All balances presented in thousands, except share and per share data

	June 30, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 866,669	\$ 386,962
Commissions and fees receivable – net	244,753	210,252
Fiduciary cash and receivables	2,817,798	2,390,185
Prepaid incentives – net	7,914	7,726
Other current assets	18,306	15,882
Total current assets	\$ 3,955,440	\$ 3,011,007
NON-CURRENT ASSETS		
Goodwill	1,313,366	1,309,267
Other intangible assets	524,808	573,930
Prepaid incentives – net	22,380	25,382
Equity method investment in related party	40,522	45,417
Property and equipment – net	16,039	15,290
Lease right-of-use assets	132,003	84,874
Deferred tax assets	404,235	382,753
Other non-current assets	33,624	10,788
Total non-current assets	\$ 2,486,977	\$ 2,447,701
TOTAL ASSETS	\$ 6,442,417	\$ 5,458,708
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	79,456	99,403
Accrued compensation	394,804	386,301
Operating lease liabilities	18,355	18,783
Tax Receivable Agreement liabilities	7,977	—
Short-term debt and current portion of long-term debt	28,949	23,469
Fiduciary liabilities	2,817,798	2,390,185
Total current liabilities	\$ 3,347,339	\$ 2,918,141
NON-CURRENT LIABILITIES		
Accrued compensation	6,619	4,371
Operating lease liabilities	125,249	74,386
Long-term debt	1,955,027	1,566,627
Deferred tax liabilities	666	631
Tax Receivable Agreement liabilities	285,787	272,100
Other non-current liabilities	20,216	27,675
Total non-current liabilities	\$ 2,393,564	\$ 1,945,790
TOTAL LIABILITIES	\$ 5,740,903	\$ 4,863,931
STOCKHOLDERS' EQUITY		
Class A common stock (\$0.001 par value; 1,000,000,000 shares authorized, 111,206,112 and 109,894,548 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively)	111	110
Class B common stock (\$0.001 par value; 1,000,000,000 shares authorized, 147,990,243 and 149,162,107 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively)	148	149
Class X common stock (\$0.001 par value; 10,000,000 shares authorized, 640,784 shares issued and 0 outstanding at June 30, 2022 and December 31, 2021)	—	—
Preferred stock (\$0.001 par value; 500,000,000 shares authorized, 0 shares issued and outstanding at June 30, 2022 and December 31, 2021)	—	—
Additional paid-in capital	385,908	348,865
Retained earnings (accumulated deficit)	24,348	(7,064)
Accumulated other comprehensive income (loss)	(1,259)	1,714
Total stockholders' equity attributable to Ryan Specialty Holdings, Inc.	\$ 409,256	\$ 343,774
Non-controlling interests	292,258	251,003
Total stockholders' equity	701,514	594,777
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,442,417	\$ 5,458,708

See accompanying Notes to the Consolidated Financial Statements (Unaudited)

Ryan Specialty Holdings, Inc.
Consolidated Statements of Cash Flows (Unaudited)
All balances presented in thousands

	Six Months Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 88,196	\$ 59,606
Adjustments to reconcile net income to cash flows provided by (used for) operating activities:		
Loss (gain) from equity method investment	558	(434)
Amortization	52,896	55,113
Depreciation	2,440	2,422
Prepaid and deferred compensation expense	18,341	23,035
Non-cash equity-based compensation	43,028	7,595
Amortization of deferred debt issuance costs	5,984	4,748
Amortization of interest rate cap premium	1,159	—
Deferred income tax benefit	(6,866)	(40)
Loss on Tax Receivable Agreement	7,173	—
Change (net of acquisitions) in:		
Commissions and fees receivable – net	(33,755)	(29,089)
Accrued interest liability	7,456	333
Other current assets and accrued liabilities	(5,565)	(11,932)
Other non-current assets and accrued liabilities	(16,334)	(3,642)
Total cash flows provided by operating activities	\$ 164,711	\$ 107,715
CASH FLOWS FROM INVESTING ACTIVITIES		
Prepaid incentives – repayments	7	3,786
Capital expenditures	(6,797)	(3,941)
Total cash flows used for investing activities	\$ (6,790)	\$ (155)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from senior secured notes	394,000	—
Payment of interest rate cap premium	(25,500)	—
Repayment of term debt	(8,250)	(8,250)
Deferred offering costs paid	—	(4,191)
Debt issuance costs paid	(2,369)	(1,289)
Finance lease and other costs paid	(18)	(75)
Payment of contingent consideration	(6,241)	—
Purchase of remaining interest in RyanRe	—	(48,368)
Equity repurchases from pre-IPO unitholders	—	(3,880)
Cash distribution to LLC unitholders	(26,222)	(47,039)
Receipt of taxes related to net share settlement of equity awards	1,062	—
Taxes paid related to net share settlement of equity awards	(1,062)	—
Net change in fiduciary liabilities	54,357	93,671
Total cash flows provided by (used in) financing activities	\$ 379,757	\$ (19,421)
Effect of changes in foreign exchange rates on cash, cash equivalents, and cash held in a fiduciary capacity	352	(537)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND CASH HELD IN A FIDUCIARY CAPACITY	\$ 538,030	\$ 87,602
CASH, CASH EQUIVALENTS, AND CASH HELD IN A FIDUCIARY CAPACITY—Beginning balance	\$ 1,139,661	\$ 895,704
CASH, CASH EQUIVALENTS, AND CASH HELD IN A FIDUCIARY CAPACITY—Ending balance	\$ 1,677,691	\$ 983,306
Reconciliation of cash, cash equivalents, and cash held in a fiduciary capacity		
Cash and cash equivalents	\$ 866,669	\$ 307,528
Cash held in a fiduciary capacity	\$ 811,022	\$ 675,778
Total cash, cash equivalents, and cash held in a fiduciary capacity	\$ 1,677,691	\$ 983,306

See accompanying Notes to the Consolidated Financial Statements (Unaudited)

Ryan Specialty Holdings, Inc.
Consolidated Statements of Mezzanine Equity and Stockholders'/ Members' Equity (Unaudited)
All balances presented in thousands, except share data

	Class A Common Stock		Class B Common Stock		Class X Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interest	Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at January 1, 2022	109,894,548	\$ 110	149,162,107	\$ 149	—	\$ —	\$ 348,865	\$ (7,064)	\$ 1,714	\$ 251,003	\$ 594,777
Net income	—	—	—	—	—	—	—	6,911	—	11,165	18,076
Issuance of common stock	91,743	—	—	—	—	—	—	—	—	—	—
Exchange of common units for common stock	77,261	—	(77,261)	—	—	—	47	—	—	(47)	—
Tax receivable agreement liability and deferred taxes arising from LLC Interest ownership changes	—	—	—	—	—	—	(704)	—	—	—	(704)
Distributions declared – Members' tax	—	—	—	—	—	—	—	—	—	(7,543)	(7,543)
Change in share of equity method investment in related party other comprehensive income	—	—	—	—	—	—	—	—	(1,302)	(1,748)	(3,050)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(58)	(707)	(765)
Equity-based compensation	—	—	—	—	—	—	23,225	—	—	23	23,248
Balance at March 31, 2022	110,063,552	\$ 110	149,084,846	\$ 149	—	\$ —	\$ 371,433	\$ (153)	\$ 354	\$ 252,146	\$ 624,039
Net income	—	—	—	—	—	—	—	24,501	—	45,619	70,120
Issuance of common stock	60,511	—	—	—	—	—	—	—	—	—	—
Exchange of common units for common stock	1,094,603	1	(1,094,603)	(1)	—	—	1,998	—	—	(1,998)	—
Forfeiture of common stock	(12,554)	—	—	—	—	—	—	—	—	—	—
Tax receivable agreement liability and deferred taxes arising from LLC Interest ownership changes	—	—	—	—	—	—	(319)	—	—	—	(319)
Distributions declared – Members' tax	—	—	—	—	—	—	—	—	—	(7,610)	(7,610)
Change in share of equity method investment in related party other comprehensive income	—	—	—	—	—	—	—	—	(554)	(733)	(1,287)
Gain on interest rate cap, net	—	—	—	—	—	—	—	—	127	169	296
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(1,186)	(2,319)	(3,505)
Equity-based compensation	—	—	—	—	—	—	12,796	—	—	6,984	19,780
Balance at June 30, 2022	111,206,112	\$ 111	147,990,243	\$ 148	—	\$ —	\$ 385,908	\$ 24,348	\$ (1,259)	\$ 292,258	\$ 701,514

See accompanying Notes to the Consolidated Financial Statements (Unaudited)

Ryan Specialty Holdings, Inc.
Consolidated Statements of Mezzanine Equity and Stockholders'/ Members' Equity (Unaudited)
All balances presented in thousands, except share data

Mezzanine Equity	Members' Interest	Class A Common Stock		Class B Common Stock		Class X Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Stockholders' Equity
		Shares	Amount	Shares	Amount	Shares	Amount					
Balance at January 1, 2021	\$ 239,635	\$ 67,088	—	—	—	—	—	—	—	\$ 2,702	\$ 1,300	\$ 71,090
Net income (loss)	—	(6,251)	—	—	—	—	—	—	—	—	2,450	(3,801)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	(352)	—	(352)
Change in share of equity method investment in related party other comprehensive income	—	—	—	—	—	—	—	—	—	(738)	—	(738)
Accumulation of preferred dividends (% return), net of tax distributions	—	(6,736)	—	—	—	—	—	—	—	—	—	(6,736)
Accretion of premium on mezzanine equity	598	(598)	—	—	—	—	—	—	—	—	—	(598)
Related party acquisition	—	(44,517)	—	—	—	—	—	—	—	—	(3,750)	(48,267)
Distributions declared – tax advances	—	(14,236)	—	—	—	—	—	—	—	—	—	(14,236)
Repurchases of Class A units	—	(227)	—	—	—	—	—	—	—	—	—	(227)
Equity-based compensation	—	4,430	—	—	—	—	—	—	—	—	—	4,430
Balance at March 31, 2021	\$ 240,233	\$ (1,047)	—	—	—	—	—	—	—	\$ 1,612	\$ —	\$ 565
Net income (loss)	—	63,407	—	—	—	—	—	—	—	—	—	63,407
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	796	—	796
Accumulation of preferred dividends (% return), net of tax distributions	—	1,073	—	—	—	—	—	—	—	—	—	1,073
Accretion of premium on mezzanine equity	598	(598)	—	—	—	—	—	—	—	—	—	(598)
Related party acquisition	—	(101)	—	—	—	—	—	—	—	—	—	(101)
Distributions declared – tax advances	—	(9,521)	—	—	—	—	—	—	—	—	—	(9,521)
Reclassification from preferred units to repurchase payable	—	(75,012)	—	—	—	—	—	—	—	—	—	(75,012)
Repurchases of Class A units	—	(4,398)	—	—	—	—	—	—	—	—	—	(4,398)
Equity-based compensation	—	3,165	—	—	—	—	—	—	—	—	—	3,165
Balance at June 30, 2021	\$ 240,831	\$ (23,032)	—	—	—	—	—	—	—	\$ 2,408	\$ —	\$ (20,624)

See accompanying Notes to the Consolidated Financial Statements (Unaudited)

Ryan Specialty Holdings, Inc.
Notes to the Consolidated Financial Statements (Unaudited)
Tabular balances presented in thousands, except share and per share data

1. Basis of Presentation

Nature of Operations

Ryan Specialty Holdings, Inc., (the “Company”) is a service provider of specialty products and solutions for insurance brokers, agents and carriers. These services encompass distribution, underwriting, product development, administration and risk management by acting as a wholesale broker and a managing underwriter or a program administrator with delegated authority from insurance carriers. The Company's offerings cover a wide variety of sectors including commercial, industrial, institutional, governmental, and personal through one operating segment, Ryan Specialty. With the exception of the Company's equity method investment, the Company does not take on any underwriting risk.

The Company is headquartered in Chicago, Illinois, and has operations in the United States, Canada, the United Kingdom, and Europe.

IPO and Reorganization

The Company was formed as a Delaware corporation on March 5, 2021 for the purpose of completing an IPO and related transactions in order to carry on the business of the LLC. On July 26, 2021, the Company completed its IPO of 65,456,020 shares of Class A common stock, \$0.001 par value per share, at an offering price of \$23.50 per share. The Company received net proceeds of \$1,448.1 million after deducting underwriting discounts, commissions, and other offering costs. The Company's Class A common stock is traded on the New York Stock Exchange under the ticker symbol “RYAN.”

New Ryan Specialty, LLC, or New LLC, was formed as a Delaware limited liability company on April 20, 2021 for the purpose of becoming, subsequent to our IPO, an intermediate holding company between Ryan Specialty Holdings, Inc., and the LLC. The Company is the sole managing member of New LLC. Pursuant to contribution agreements, on September 30, 2021, the Company, the non-controlling interest LLC Unitholders, and New LLC exchanged equity interests in the LLC for LLC Common Units in New LLC, with the intent that New LLC be the new holding company for the LLC interests. At that time the LLC adopted the LLC Operating Agreement and New LLC adopted the New LLC Operating Agreement. As a result, the Company is a holding company, with its sole material asset being a controlling equity interest in New LLC, which became a holding company with its sole material asset being a controlling equity interest in the LLC. The Company will operate and control the business and affairs, and consolidate the financial results, of the LLC through New LLC and, through the LLC, conduct our business. Accordingly, the Company consolidates the financial results of New LLC, and therefore the LLC, and reports the non-controlling interests of New LLC's LLC Common Units on its consolidated financial statements. As of June 30, 2022, the Company owned 42.9% of the outstanding LLC Common Units of New LLC, and New LLC owned 99.9% of the outstanding LLC Common Units of the LLC. The remaining 0.1% of the outstanding LLC Common Units of the LLC were owned by a subsidiary of the Company. As the LLC is substantively the same as New LLC, for the purpose of this document, we will refer to both New LLC and the LLC as the “LLC.”

Basis of Presentation

The accompanying unaudited consolidated interim financial statements and notes thereto have been prepared in accordance with U.S. GAAP. The unaudited consolidated financial statements include the Company's accounts and those of all controlled subsidiaries. Certain information and disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC for interim financial information. These consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K filed with the SEC on March 16, 2022. Interim results are not necessarily indicative of results for the full fiscal year due to seasonality and other factors.

In the opinion of management, the consolidated interim financial statements include all normal recurring adjustments necessary to present fairly the Company's consolidated financial position, results of operations, and cash flows for all periods presented.

Principles of Consolidation

The consolidated interim financial statements include the accounts of the Company and its subsidiaries that it controls due to ownership of a majority voting interest or pursuant to variable interest entity (“VIE”) accounting guidance. All intercompany transactions and balances have been eliminated in consolidation.

The Company, through our intermediate holding company New LLC, owns a minority economic interest in, and operates and controls the businesses and affairs of the LLC. The Company has the obligation to absorb losses of, and receive benefits from, the LLC, which could be significant. We determined that the Company is the primary beneficiary of the LLC and the LLC is a VIE. Further, the Company has no contractual requirement to provide financial support to the LLC. Accordingly, the Company has prepared these consolidated financial statements in accordance with Accounting Standards Codification (“ASC”) 810, *Consolidation* (“ASC 810”). ASC 810 requires that if an entity is the primary beneficiary of a VIE, the assets, liabilities, and results of operations of the VIE should be included in the consolidated financial statements of such entity.

The Organizational Transactions were considered to be transactions between entities under common control. The historical operations of the LLC are deemed to be those of the Company. Thus, the financial statements included in this report reflect (i) the historical operating results of the LLC prior to the IPO and Organizational Transactions; (ii) the consolidated results of Ryan Specialty Holdings, Inc. and the LLC following the IPO and Organizational Transactions; and (iii) the assets and liabilities of Ryan Specialty Holdings, Inc. and the LLC at their historical cost. No step-up basis of intangible assets or goodwill was recorded.

Use of Estimates

The preparation of the consolidated interim financial statements and notes thereto requires management to make estimates, judgements, and assumptions that affect the amounts reported in the consolidated interim financial statements and in the notes thereto. Such estimates and assumptions could change in the future as circumstances change or more information becomes available, which could affect the amounts reported and disclosed herein.

Impact of COVID-19

In March 2020, the World Health Organization declared a global pandemic related to the outbreak of a respiratory illness caused by the coronavirus, COVID-19. Related impacts and disruptions continue to be experienced in the geographical areas in which the Company operates, and the ultimate duration and intensity of this global health emergency continues to be unclear. There is still significant uncertainty related to the economic outcomes from the ongoing COVID-19 pandemic. Given the dynamic nature of the emergency and its global consequences, its ultimate impact on the Company’s operations, cash flows, and financial condition cannot be reasonably estimated at this time.

Revision of Previously Issued Financial Statements

During the fourth quarter of 2021, the Company revised the presentation of Cash held in a fiduciary capacity in the Consolidated Statements of Cash Flows in accordance with ASU 2016-18 *Statement of Cash Flows*. Historically, the Company did not present Cash held in a fiduciary capacity in the Consolidated Statements of Cash Flows, since these funds cannot be used for general purposes and were not considered a source of liquidity for the Company. The Company has since revised its presentation and includes Cash held in a fiduciary capacity as a component of total cash, cash equivalents, and cash held in a fiduciary capacity in the Consolidated Statements of Cash Flows.

Based on an analysis of quantitative and qualitative factors in accordance with SEC Staff Accounting Bulletins (“SAB”) No. 99 *Materiality* and SAB No. 108 *Considering the Effects of Prior Years Misstatements When Quantifying Misstatements in Current Year Financial Statements*, the Company concluded the effect of the change was not material to any previously filed interim or annual financial statements. Accordingly, the Company revised the previously reported financial information in this report in the Consolidated Statements of Cash Flows and related disclosures for the unaudited interim period ended June 30, 2021. There was no

impact to the Consolidated Statements of Income, Consolidated Statements of Comprehensive Income, Consolidated Balance Sheets or Consolidated Statements of Mezzanine Equity and Shareholders'/Members' Equity for any period presented.

	Six Months Ended June 30, 2021		
	As Reported	Effect of Change	As Revised
Total cash flows provided by (used for) operating activities	\$ 107,715	—	\$ 107,715
Total cash flows used for investing activities	\$ (155)	—	\$ (155)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in fiduciary liabilities	—	93,671	93,671
Other lines	(113,092)	—	(113,092)
Total cash flows provided by (used for) financing activities	\$ (113,092)	\$ 93,671	\$ (19,421)
Effect of changes in foreign exchange rates on cash, cash equivalents, and cash held in a fiduciary capacity	409	(946)	(537)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND CASH HELD IN A FIDUCIARY CAPACITY	\$ (5,123)	\$ 92,725	\$ 87,602
CASH, CASH EQUIVALENTS, AND CASH HELD IN A FIDUCIARY CAPACITY—Beginning balance	\$ 312,651	\$ 583,053	\$ 895,704
CASH, CASH EQUIVALENTS, AND CASH HELD IN A FIDUCIARY CAPACITY—Ending balance	\$ 307,528	\$ 675,778	\$ 983,306

2. Significant Accounting Policies

There have been no material changes in the Company's significant accounting policies from those that were disclosed for the year ended December 31, 2021 in the Company's Annual Report on Form 10-K filed with the SEC on March 16, 2022, other than as noted below.

Derivative Instruments and Hedging Activities

The Company utilizes a derivative, namely an interest rate cap, for interest rate risk management purposes. The Company does not hold or issue derivative instruments for trading or speculative purposes. The Company assesses the effectiveness of qualifying cash flow hedges both at inception and on an on-going basis. For hedging derivatives that qualify as effective cash flow hedges, the Company records the cumulative changes in the fair value of the financial instrument in Other comprehensive income. Amounts recorded in Other comprehensive income will be reclassified into earnings in the periods in which earnings are affected by the hedged cash flow. The Company amortizes the premium paid for the interest rate cap on a straight-line basis over the life of the instrument. The premium amortization is recognized in Interest expense, net on the Consolidated Statements of Income. See Note 13, *Derivatives*, for further discussion of derivative financial instruments.

Recently Issued Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06 *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception and simplifies the diluted earnings per share calculation in certain areas. ASU 2020-06 is effective for public companies for fiscal years beginning after December 15, 2021, but early adoption is permitted. The Company adopted this standard on January 1, 2022 with no material impact to the consolidated financial statements or disclosures.

In March 2020, the FASB issued ASU 2020-04 *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides practical expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. ASU 2020-04 is effective through December 31, 2022. The Company adopted this standard during the second quarter of 2022. The adoption of ASU 2020-04 did not have a material impact on the consolidated financial statements or disclosures. See Note 9, *Debt*, for further information.

3.Revenue from Contracts with Customers

Disaggregation of Revenue

The following table summarizes revenue from contracts with customers by Specialty:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Wholesale Brokerage	\$ 329,225	\$ 255,959	\$ 574,051	\$ 447,083
Binding Authority	59,751	53,596	122,744	108,641
Underwriting Management	101,251	80,291	180,113	145,466
Total Net commissions and fees	\$ 490,227	\$ 389,846	\$ 876,908	\$ 701,190

Contract Balances

Contract assets, which arise from the Company's volume-based commissions, are included within Commissions and fees receivable – net in the Consolidated Balance Sheets. The contract asset balance as of June 30, 2022 and December 31, 2021 was \$7.6 million and \$8.8 million, respectively. For contract assets, payment is typically due within one year of the completed performance obligation. The contract liability balance related to deferred revenue, which is included in Accounts payable and accrued liabilities on the Consolidated Balance Sheets, was \$2.3 million and \$1.1 million as of June 30, 2022 and December 31, 2021, respectively.

4.Mergers and Acquisitions

The Company accounts for acquisitions as either business combinations or asset acquisitions depending on the facts and circumstances of each acquisition. Transaction costs arising from a business combination are recognized within General and administrative expense in the Consolidated Statements of Income.

There were no acquisitions for the three and six months ended June 30, 2022, and 2021.

2021 Acquisitions

On December 1, 2021, the Company acquired Crouse and Associates Insurance Brokers, Inc. ("Crouse") for \$110.6 million of total consideration. Crouse specializes in transportation, as well as excess and general liability and property and casualty risks, and is headquartered in San Francisco, California.

On December 31, 2021, the Company acquired certain assets of Keystone Risk Partners, LLC ("Keystone") for \$59.8 million of total consideration. Keystone offers a suite of alternative risk insurance solutions, including customized captive insurance and other risk management services, and is headquartered in Media, Pennsylvania.

The consideration above is based on estimates that are preliminary in nature and subject to adjustments. Any necessary adjustments must be finalized during the measurement period, which is limited to one year from the acquisition date. Any changes to provisional amounts identified during the measurement period are recognized in the reporting period in which the adjustment amounts are determined. During the six months ended June 30, 2022, the Company made measurement period adjustments related to the Crouse acquisition, including an increase of an assumed liability of \$1.3 million and an increase in consideration of \$3.8 million related to the working capital provisions of the purchase agreement. Collectively, these adjustments resulted in a \$5.1 million increase to goodwill as of June 30, 2022.

Contingent Consideration

Total consideration for certain acquisitions includes contingent consideration, which is generally based on the EBITDA of the acquired business following a defined period after purchase. For business combinations, the Company recognizes contingent consideration at fair value as of the acquisition date. The fair value of contingent consideration is based on the present value of the expected future payments under the respective purchase agreements. In determining fair value, the Company estimates cash payments based on management's estimate of the performance of each acquired business relative to the formula specified by each purchase agreement. Further information regarding fair value measurements is detailed in Note 16, *Fair Value Measurements*. For asset

acquisitions, the Company recognizes contingent consideration when the underlying contingency is resolved and the consideration is paid or payable.

The Company recognizes gains or losses for changes in fair value of estimated contingent consideration within Change in contingent consideration on the Consolidated Statements of Income. The Company also recognizes interest expense for accretion of the discount on these liabilities, which is recognized within Interest expense, net on the Consolidated Statements of Income. The table below summarizes the change in contingent consideration and interest expense related to contingent consideration liabilities for the three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Change in contingent consideration	\$ (251)	\$ 1,723	\$ (1,260)	\$ 2,313
Interest expense	425	313	798	399
Total	\$ 174	\$ 2,036	\$ (462)	\$ 2,712

The current portion of the fair value of contingent consideration was \$6.2 million and \$14.4 million as of June 30, 2022 and December 31, 2021, respectively, and was recorded in Accounts payable and accrued liabilities in the Consolidated Balance Sheets. The non-current portion of the fair value of the contingent consideration was \$20.2 million and \$27.6 million as of June 30, 2022 and December 31, 2021, respectively, and was recorded in Other non-current liabilities in the Consolidated Balance Sheets. The aggregate amount of maximum contingent consideration obligation related to acquisitions was \$72.5 million and \$129.2 million as of June 30, 2022 and December 31, 2021, respectively.

5. Restructuring

During 2020, the Company initiated a restructuring plan in conjunction with the All Risks Acquisition, to reduce costs and increase efficiencies. The restructuring plan was entered into expecting to generate annual savings of \$25.0 million and to incur total restructuring costs in the range of \$30.0 million to \$35.0 million, with run-rate savings expected to be realized by June 30, 2023. The plan involved restructuring costs primarily consisting of employee termination benefits and retention costs. The restructuring plan also included charges for consolidating leased office space, as well as other professional fees. The cumulative restructuring costs incurred since the inception of the program totaled \$30.9 million as of June 30, 2022. The plan was fully actioned as of June 30, 2022, with any remaining termination benefits and retention costs expected to be recognized by the end of the current year.

The table below presents the restructuring expense incurred during the three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Compensation and benefits	\$ 546	\$ 2,162	\$ 704	\$ 8,351
Occupancy and other costs ⁽¹⁾	2,027	883	4,993	1,612
Total	\$ 2,573	\$ 3,045	\$ 5,697	\$ 9,963

⁽¹⁾Occupancy and other costs, which include non-cash impairments, are included within General and administrative expenses in the Consolidated Statements of Income

The table below presents a summary of changes in the restructuring liability from December 31, 2021 through June 30, 2022:

	Compensation and Benefits		Occupancy and Other Costs		Total
Balance as of December 31, 2021	\$ 407	\$ —	\$ —	\$ —	\$ 407
Accrued costs	704		2,577		3,281
Payments	(794)		(1,038)		(1,832)
Balance as of June 30, 2022	\$ 317	\$ —	\$ 1,539	\$ —	\$ 1,856

6. Receivables and Other Current Assets

Receivables

The Company had receivables of \$244.8 million and \$210.3 million outstanding as of June 30, 2022 and December 31, 2021, respectively, which were recognized within Commissions and fees receivable—net in the Consolidated Balance Sheets. Commission and fees receivable is net of an allowance for credit losses.

Allowance for Credit Losses

The Company's allowance for credit losses with respect to receivables is based on a combination of factors, including evaluation of historical write-offs, current economic conditions, aging of balances, and other qualitative and quantitative analyses.

The following table provides a rollforward of the Company's allowance for expected credit losses:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Beginning of period	\$ 2,503	\$ 2,921	\$ 2,508	\$ 2,916
Write-offs	(465)	(1,224)	(520)	(1,553)
Increase in provision	449	1,237	499	1,571
End of period	<u>\$ 2,487</u>	<u>\$ 2,934</u>	<u>\$ 2,487</u>	<u>\$ 2,934</u>

Other Current Assets

Major classes of other current assets consist of the following:

	June 30, 2022	December 31, 2021
Prepaid expenses	\$ 14,047	\$ 13,434
Service receivables ⁽¹⁾	669	644
Other current receivables	3,590	1,804
Total other current assets	<u>\$ 18,306</u>	<u>\$ 15,882</u>

(1) Service receivables contain receivables from Geneva Re, Ltd. Further information regarding related parties is detailed in Note 18, *Related Parties*.

7. Fiduciary Assets and Liabilities

The Company recognizes (i) fiduciary amounts payable to others as Fiduciary liabilities, and (ii) fiduciary amounts collectible and held on behalf of others, including insurance policyholders, clients, other insurance intermediaries, and insurance carriers, as Fiduciary cash and receivables in the Consolidated Balance Sheets. Cash and cash equivalents held in excess of the amount required to meet the Company's fiduciary obligations are recognized as Cash and cash equivalents in the Consolidated Balance Sheets. The Company had Fiduciary cash and receivables and Fiduciary liabilities of \$2,817.8 million and \$2,390.2 million as of June 30, 2022 and December 31, 2021, respectively.

8. Leases

The Company has non-cancelable operating leases with various terms through April 2033 primarily for office space and office equipment.

The lease costs for the three and six months ended June 30, 2022 and 2021 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Lease costs:				
Operating lease cost	\$ 9,283	\$ 6,013	\$ 15,610	\$ 12,109
Finance lease costs:				
Amortization of leased assets	7	42	16	85
Interest on lease liabilities	1	1	1	2
Short term lease costs:				
Operating lease cost	83	118	279	238
Finance lease costs:				
Amortization of leased assets	2	2	4	4
Interest on lease liabilities	1	1	1	1
Sublease income	(106)	(118)	(197)	(179)
Lease cost – net	\$ 9,271	\$ 6,059	\$ 15,714	\$ 12,260
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases			\$ 12,495	\$ 12,684
Operating cash flows from finance leases			22	91
Non-cash related activities				
Right-of-use assets obtained in exchange for new operating lease liabilities			54,359	1,847
Right-of-use assets obtained in exchange for new finance lease liabilities			—	—
Weighted average discount rate (percent)				
Operating leases			4.50 %	3.73 %
Finance leases			3.19 %	3.16 %
Weighted average remaining lease term (years)				
Operating leases			7.4	6.1
Finance leases			2.3	2.4

Supplemental balance sheet information related to Lease right-of-use assets:

	June 30, 2022	December 31, 2021
Right-of-use assets – operating leases – net	\$ 131,928	\$ 84,778
Right-of-use assets – finance leases – net	75	96
Total lease right-of-use assets – net	\$ 132,003	\$ 84,874

Supplemental balance sheet information related to lease liabilities:

	June 30, 2022	December 31, 2021
Current lease liabilities		
Operating	\$ 18,355	\$ 18,783
Finance	36	39
Non-current lease liabilities		
Operating	125,249	74,386
Finance	39	57
Total lease liabilities	\$ 143,679	\$ 93,265

The estimated future minimum payments of operating and financing leases as of June 30, 2022:

	Finance Leases		Operating Leases	
The remainder of 2022	\$	19	\$	10,124
2023		37		25,399
2024		18		23,716
2025		4		21,623
2026		—		20,317
Thereafter		—		71,895
Total undiscounted future lease payments	\$	78	\$	173,074
Less imputed interest		(3)		(29,470)
Present value lease liabilities	\$	75	\$	143,604

Average annual sublease income for the next seven years is \$0.3 million. The Company has six leases with inception dates prior to June 30, 2022 that have not yet commenced as of June 30, 2022, for a total future estimated lease liability of \$65.6 million.

9. Debt

Substantially all of the Company's debt is carried at outstanding principal balance, less debt issuance costs and any unamortized discount or premium. To the extent that the Company modifies the debt arrangements, all unamortized costs from borrowings are deferred and amortized over the term of the new arrangement, where applicable.

The following table is a summary of the Company's outstanding debt:

	June 30, 2022		December 31, 2021	
Term debt				
7-year term loan facility, periodic interest and quarterly principal payments, Adjusted Term SOFR + 3.00% as of June 30, 2022, LIBOR + 3.00% as of December 31, 2021, matures September 1, 2027	\$	1,575,141	\$	1,578,972
Senior Secured Notes				
8-year senior secured notes, semi-annual interest payments, 4.38%, matures February 1, 2030		399,269		—
Revolving debt				
5-year revolving loan facility, periodic interest payments, Adjusted Term SOFR + up to 3.00% as of June 30, 2022, LIBOR + up to 3.00% as of December 31, 2021, plus commitment fees up to 0.50%, matures July 26, 2026		395		387
Premium financing notes				
Commercial notes, periodic interest and principal payments, 2.49%, expire June 1, 2023		4,614		—
Commercial notes, periodic interest and principal payments, 1.66%, expired June 1, 2022		—		1,656
Commercial notes, periodic interest and principal payments, 1.66%, expire July 15, 2022		—		745
Commercial notes, periodic interest and principal payments, 1.66%, expire July 21, 2022		—		3,973
Finance lease obligation		75		96
Units subject to mandatory redemption		4,482		4,267
Total debt	\$	1,983,976	\$	1,590,096
Less current portion		(28,949)		(23,469)
Long term debt	\$	1,955,027	\$	1,566,627

Term Loan

The original principal of the Term Loan was \$1,650.0 million. As of June 30, 2022, \$1,621.1 million of the principal was outstanding and \$0.2 million of interest was accrued. As of December 31, 2021, \$1,629.4 million of the principal was outstanding and \$0.2 million of interest was accrued. Unamortized deferred issuance costs on the Term Loan were \$46.2 million and \$50.6 million as of June 30, 2022 and December 31, 2021, respectively.

Revolving Credit Facility

As the Revolving Credit Facility had not been drawn on as of June 30, 2022, the deferred issuance costs related to the facility are included in Other non-current assets in the Consolidated Balance Sheets. The Company pays a commitment fee on undrawn amounts under the facility of 0.25% - 0.50%. The Company accrued \$0.4 million of unpaid commitment fees related to the Revolving Credit Facility as of June 30, 2022 and December 31, 2021, which was included in Short-term debt and current portion of long-term debt in the Consolidated Balance Sheets.

Transition from LIBOR to SOFR

On April 29, 2022, the Company entered into a fourth amendment to the Credit Agreement on its Term Loan and Revolving Credit Facility to transition from using the Eurocurrency Rate (LIBOR) to a benchmark replacement of Adjusted Term SOFR plus a credit spread adjustment of 10 basis points, 15 basis points, or 25 basis points for the one-month, three-month, or six-month borrowing periods, respectively. As discussed in Note 2, *Summary of Significant Accounting Policies*, the Company adopted ASU 2020-04 in the second quarter of 2022. The Company has elected the expedient that allows for this contract modification to be treated as not substantial and to account for any related changes on a prospective basis from the modification date.

Senior Secured Notes

On February 3, 2022, the LLC issued \$400.0 million of senior secured notes. The notes have a 4.38% interest rate and will mature on February 1, 2030. As of June 30, 2022, unamortized deferred issuance costs and discount were \$7.9 million and the Company accrued \$7.2 million of interest related to these notes.

10. Stockholders' and Members' Equity

The LLC Equity Structure

Prior to the Organizational Transactions and the IPO, the LLC had issued and outstanding Class A common units, Class B common units, preferred units, and Redeemable Preferred Units. As part of the Organizational Transactions, the Class A common units and the Class B common units were exchanged for LLC Common Units. Substantially concurrent with the IPO, the LLC repurchased preferred units from the Founder Group for \$78.3 million, which reflected the par value of \$75.0 million plus unpaid accrued preferred dividends.

Redeemable Preferred Units

Prior to the Organizational Transactions and IPO, the Company had 260,000,000 Redeemable Preferred Units issued and outstanding. As defined in the related purchase agreements with Onex (the "Onex Purchase Agreements"), the Company had the option, but not the requirement, to repurchase up to 100% of the 260,000,000 Redeemable Preferred Units issued to Onex. If the option was exercised before the fifth anniversary of each issuance, the redemption price would be subject to a make-whole provision set forth in the terms of the Onex Purchase Agreements. Additionally, the Onex Purchase Agreements required a redemption ("Mandatory Redemption") of the Redeemable Preferred Units upon the occurrence of a realization event, which included a Qualified Public Offering (as defined in the Onex Purchase Agreement). Where a Mandatory Redemption was required prior to the fifth anniversary of an issuance, the redemption price was subject to a make-whole provision. The Company determined that the Mandatory Redemption feature must be accounted for separately from the Redeemable Preferred Units' par value as a derivative liability in accordance with ASC 815 *Derivatives and Hedging*. These embedded derivatives were accounted for on a combined basis separately from the Redeemable Preferred Units and were recorded at fair value. See Note 13, *Derivatives* and Note 16, *Fair Value Measurements* for further information.

As part of the Organizational Transactions, the Company acquired the entity (the "Preferred Blocker Entity") through which Onex held its preferred unit interest in the LLC. The 260,000,000 Redeemable Preferred Units of the LLC owned by the Preferred Blocker Entity were converted through a series of transactions to LLC Common Units immediately after the acquisition. As the Company's IPO in July 2021 was a realization event triggering the payment of the make-whole provision to Onex, there were no amounts outstanding related to the Redeemable Preferred Units in the Consolidated Balance Sheets as of June 30, 2022 or December 31, 2021.

Ryan Specialty Holdings, Inc. Equity Structure

In connection with the Company's IPO in July 2021, the Company's Board of Directors approved an amended and restated certificate of incorporation and amended and restated bylaws. The amended and restated certificate of incorporation authorizes the issuance of up

to 1,000,000,000 shares of Class A common stock, 1,000,000,000 shares of Class B common stock, 10,000,000 shares of Class X common stock, and 500,000,000 shares of preferred stock, each having a par value of \$0.001 per share.

The Company's amended and restated certificate of incorporation and the New LLC Operating Agreement require that the Company and the LLC at all times maintain a one-to-one ratio between the number of shares of Class A common stock issued by the Company and the number of LLC Common Units owned by the Company, except as otherwise determined by the Company.

Class A and Class B Common Stock

Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is initially entitled to 10 votes per share and, upon the occurrence of certain events as set forth in the Company's amended and restated certificate of incorporation, shall be entitled to one vote per share. All holders of Class A common stock and Class B common stock vote together as a single class except as otherwise required by applicable law or our amended and restated certificate of incorporation.

In accordance with the New LLC Operating Agreement, the LLC Unitholders will be entitled to exchange LLC Common Units for shares of Class A common stock, in accordance with the LLC Operating Agreement or, at the Company's election, for cash from a substantially concurrent public offering or private sale (based on the price of our Class A common stock in such public offering or private sale). The LLC Unitholders will also be required to deliver to us an equivalent number of shares of Class B common stock to effectuate such an exchange. Any shares of Class B common stock so delivered will be canceled.

Holders of Class B common stock do not have any right to receive dividends or distributions upon the liquidation or winding up of the Company.

Class X Common Stock

As part of the Organizational Transactions, the Company acquired the Common Blocker Entity (i.e. the entity through which Onex held its Class B common unit interest in the LLC). Through the acquisition, Onex exchanged its equity interests in the Common Blocker Entity for shares of Class A common stock and a right to participate in the TRA. The Company issued shares of Class X common stock to Onex, which were immediately repurchased and canceled, as a mechanism for Onex to participate in the TRA. The shares of Class X common stock have no economic or voting rights. There were no shares of Class X common stock outstanding as of June 30, 2022 or December 31, 2021.

Preferred Stock

There were no shares of preferred stock outstanding as of June 30, 2022 or December 31, 2021. Under the terms of the amended and restated certificate of incorporation, the Board is authorized to direct the Company to issue shares of preferred stock in one or more series without shareholder approval. The Board has the discretion to determine the rights, preferences, privileges, and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock.

Dividends

No dividends were declared or payable as of June 30, 2022 or December 31, 2021.

Non-controlling Interest

In connection with the IPO and the Organizational Transactions, the Company became the sole managing member of the LLC. As a result, the Company began consolidating the LLC in its consolidated financial statements, resulting in a non-controlling interest related to the LLC Common Units not held by the Company on the consolidated financial statements. The non-controlling interest previously recognized in the LLC's historical consolidated financial statements represented the LLC's equity interests in an underlying subsidiary. As of June 30, 2022 and December 31, 2021, the Company owned 42.9% of the economic interests of the LLC, while the non-controlling interest holders owned the remaining 57.1% of the economic interests in the LLC.

Weighted average ownership percentages for the applicable reporting periods are used to attribute net income (loss) and other comprehensive income (loss) to the Company and the non-controlling interest holders. The non-controlling interest holders' weighted average ownership percentage was 57.8% and 57.7% for the three and six months ended June 30, 2022, respectively.

11. Equity-based Compensation

Substantially concurrent with the IPO, the Company's Board of Directors adopted the Ryan Specialty Holdings, Inc. 2021 Omnibus Incentive Plan (the "Omnibus Plan"). The Omnibus Plan provides for potential grants of the following awards: (i) stock options, (ii) stock appreciation rights, (iii) restricted stock awards, (iv) performance awards, (v) other stock-based awards, (vi) other cash-based awards, and (vii) analogous equity awards made in equity of the LLC.

IPO-related Awards

As a result of the Organizational Transactions, pre-IPO holders of the LLC Class A common units that were granted as incentive awards, which had historically been classified as equity and vested pro rata over five years, were required to exchange their units for one or more of the following: (i) Restricted Stock, (ii) Reload Options, (iii) Restricted Common Units, or (iv) Reload Class C Incentive Units, collectively, the "Replacement Awards." The reload awards were issued to employees in order to protect against the dilution of their existing awards upon exchange to the new awards.

The Restricted Stock and Restricted Common Units are referred to as "restricted" due to the transfer restriction on all Restricted Stock and Restricted Common Units awarded to employees. The transfer restrictions apply on a non-linear schedule for the five year period following the IPO. As these restrictions lift based on the passage of time, Restricted Stock and Restricted Common Units will be referred to as Class A common stock and LLC Common Units, respectively.

Separately, certain employees were granted one or more of the following new awards: (i) Restricted Stock Units ("RSUs"), (ii) Staking Options, (iii) Restricted LLC Units ("RLUs"), or (iv) Staking Class C Incentive Units. The terms of these awards are described below. All awards granted as part of the Organizational Transactions and the IPO are subject to the transfer restrictions.

Equity-Based Awards Modification

As noted above, as a result of the Organizational Transactions and the IPO, pre-IPO holders of LLC Class A common units exchanged their units for the Replacement Awards. This exchange was considered a modification as of the IPO date as a result of the change in terms and conditions of the existing awards and the issuance of new options and profits interests that have different vesting schedules than the exchanged awards. This modification resulted in the re-measurement of the awards in accordance with ASC 718. Total compensation cost recognized for the modified awards equaled the grant date fair value from the pre-IPO grants, plus any incremental compensation cost measured at the modification date (i.e. the IPO date). The modification impacted approximately 380 employees.

The incremental compensation expense arising from the modification is primarily driven by the right to future TRA payments as a result of the Organizational Transactions, as well as the TRA Alternative Payments, offset by the existence of new transfer restrictions that extend beyond vesting dates. The TRA provides for the potential, future payment to certain LLC Unitholders of tax benefits realized by the Company. The right to these potential future payments is considered in the calculation of the fair value of the Restricted Common Units and Reload Class C Incentive Units granted to employees. Additionally, those employees who exchanged their granted units into Restricted Stock received a one-time lump sum TRA Alternative Payment in an aggregate amount of \$37.6 million. These one-time cash payments were paid upon the closing of the IPO on July 26, 2021. The cash payments were treated as a cash settlement of a portion of the existing awards and, therefore, included in the post-IPO value for determining the incremental expense in the modification. The remaining unamortized fair value as of the modification date will be recognized as equity-based compensation allocated on a relative fair value basis of the awards over the remaining service periods.

Incentive Awards

As part of the Company's annual compensation process, the Company issues certain employees and directors equity-based compensation awards ("Incentive Awards"). Additionally, the Company offers Incentive Awards to certain new hires. These Incentive Awards typically take the form of (i) RSUs, (ii) RLUs, (iii) Class C Incentive Units, or (iv) Stock Options.

Restricted Stock

As part of the Organizational Transactions, certain existing employee unitholders were granted Restricted Stock in the Company in exchange for their LLC Units, which were first exchanged into LLC Common Units. The Restricted Stock follows the vesting

schedule of the LLC Units for which they were exchanged. LLC Units historically vested pro rata over 5 years. Restricted Stock activity for the period was as follows:

	Six Months Ended June 30, 2022	
	Restricted Stock	Weighted Average Grant Date Fair Value
Unvested at beginning of period	3,222,634	\$ 21.15
Granted	—	—
Vested	617,160	21.15
Forfeited	12,554	21.15
Unvested at end of period	<u>2,592,920</u>	\$ 21.15

The weighted-average grant date fair value of \$21.15 reflects the fair value of the Restricted Stock at the time of the modification.

Restricted Stock Units (RSUs)

IPO RSUs

Related to the IPO, the Company granted RSUs to certain employees. The IPO RSUs vest either pro rata over 5 years from the grant date or over 10 years from the grant date, with 10% vesting in each of years 3 through 9 and 30% vesting in year 10. The grant date fair value considers the IPO price of \$23.50 adjusted for a weighted average 2.4% discount for lack of marketability due to the transfer restrictions. Upon vesting, IPO RSUs automatically convert on a one-for-one basis into Class A common stock.

	Six Months Ended June 30, 2022	
	Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested at beginning of period	4,330,104	\$ 22.95
Granted	—	—
Vested	52,023	22.42
Forfeited	55,877	22.42
Unvested at end of period	<u>4,222,204</u>	\$ 22.94

Incentive RSUs

As part of the Company's annual compensation process, the Company issued Incentive RSUs to certain employees. The Incentive RSUs vest either 100% 3 or 5 years from the grant date, pro rata over 3 or 5 years from the grant date, or over 5 years from the grant date, with 33.3% vesting in each of years 3, 4 and 5. Upon vesting, Incentive RSUs automatically convert on a one-for-one basis into Class A common stock.

	Six Months Ended June 30, 2022	
	Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested at beginning of period	—	\$ —
Granted	828,524	34.54
Vested	—	—
Forfeited	1,453	34.39
Unvested at end of period	<u>827,071</u>	\$ 34.54

Stock Options

Reload Options

As part of the Organizational Transactions and IPO, certain employees who exchanged their LLC Common Units for shares of the Company were also granted Reload Options that entitle the award holder to future purchases of Class A common stock, on a one-for-one basis, at the IPO price of \$23.50. The Reload Options vest either 100% 3 years from the grant date or over 5 years from the grant

date, with 33.3% vesting in each of years 3, 4 and 5. Vested Reload Options are exercisable up to the tenth anniversary of the grant date.

	Six Months Ended June 30, 2022	
	Options	Weighted Average Exercise Price
Outstanding at beginning of period	4,592,319	\$ 23.50
Granted	—	—
Exercised	—	—
Forfeited	25,999	23.50
Unvested at end of period	<u>4,566,320</u>	<u>\$ 23.50</u>

The fair value of Reload Options granted at the time of the IPO was determined using the Black-Scholes option pricing model with the following assumption ranges:

	Assumptions
Volatility	25.0%
Time to maturity (years)	6.5-7.0
Risk-free rate	0.94-1.02%
Fair value per unit	\$6.42-\$6.72
Dividend yield	0.0%

Staking Options

In addition to Restricted Stock, certain employees were also granted Staking Options that entitle the award holder to future purchases of Class A common stock, on a one-for-one basis, at the IPO price of \$23.50. The Staking Options vest over 10 years from the grant date, with 10% vesting in each of years 3 through 9 and 30% vesting in year 10. Vested Staking Options are exercisable up to the eleventh anniversary of the grant date.

	Six Months Ended June 30, 2022	
	Options	Weighted Average Exercise Price
Outstanding at beginning of period	66,667	\$ 23.50
Granted	—	—
Exercised	—	—
Forfeited	—	—
Unvested at end of period	<u>66,667</u>	<u>\$ 23.50</u>

The fair value of Staking Options granted at the time of the IPO was determined using the Black-Scholes option pricing model with the following assumption ranges:

	Assumptions
Volatility	25.0%
Time to maturity (years)	9.1
Risk-free rate	1.19%
Fair value per unit	\$7.82
Dividend yield	0.0%

Incentive Options

As part of the Company's annual compensation process, the Company issued Incentive Options to certain employees that entitle the award holder to future purchases of Class A common stock, on a one-for-one basis. The Incentive Options vest over 5 years from the grant date, with 33.3% vesting in each of years 3, 4 and 5.

	Six Months Ended June 30, 2022	
	Options	Weighted Average Exercise Price
Outstanding at beginning of period	—	\$ —
Granted	175,222	34.39
Exercised	—	—
Forfeited	—	—
Unvested at end of period	<u>175,222</u>	\$ 34.39

The fair value of Incentive Options granted during the six months ended June 30, 2022 was determined using the Black-Scholes option pricing model with the following assumption ranges:

	Assumptions
Volatility	27.5%
Time to maturity (years)	7.0
Risk-free rate	2.16%
Fair value per unit	\$11.68
Dividend yield	0.0%

The use of a valuation model for the Options requires management to make certain assumptions with respect to selected model inputs. Expected volatility was calculated based on the observed volatility for comparable companies. The expected time to maturity was based on the weighted-average vesting terms and contractual terms of the awards. The dividend yield was based on the Company's expected dividend rate. The risk-free interest rate was based on U.S. Treasury rates commensurate with the expected life of the award.

The aggregate intrinsic value and weighted average remaining contractual terms of Stock Options outstanding and Stock Options exercisable were as follows as of June 30, 2022:

	June 30, 2022	
Aggregate intrinsic value (\$ in thousands)		
Reload Options outstanding	\$	71,646
Reload Options exercisable		—
Staking Options outstanding	\$	1,046
Staking Options exercisable		—
Incentive Options outstanding	\$	841
Incentive Options exercisable		—
Weighted-average remaining contractual term (in years)		
Reload Options outstanding		9.1
Reload Options exercisable		—
Staking Options outstanding		10.1
Staking Options exercisable		—
Incentive Options outstanding		9.7
Incentive Options exercisable		—

Restricted Common Units

As part of the Organizational Transactions, certain existing employee unitholders were granted Restricted Common Units in exchange for their LLC Units. The Restricted Common Units follow the vesting schedule of the LLC Units for which they were exchanged. LLC Units historically vested pro rata over 5 years. Restricted Common Unit activity for the period was as follows:

	Six Months Ended June 30, 2022	
	Common Units	Weighted Average Grant Date Fair Value
Unvested at beginning of period	5,743,520	\$ 23.84
Granted	—	—
Vested	1,943,249	23.84
Forfeited	—	—
Unvested at end of period	<u>3,800,271</u>	\$ 23.84

The weighted average grant date fair value reflects the fair value of the Restricted Common Units at the time of the modification.

Restricted LLC Units (RLUs)

IPO RLUs

Related to the IPO, the Company granted RLUs to certain employees that vest either pro rata over 5 years from the grant date or over 10 years from the grant date, with 10% vesting in each of years 3 through 9 and 30% vesting in year 10. Upon vesting, RLUs automatically convert on a one-for-one basis into LLC Common Units.

	Six Months Ended June 30, 2022	
	Restricted LLC Units	Weighted Average Grant Date Fair Value
Unvested at beginning of period	1,543,277	\$ 25.05
Granted	—	—
Vested	—	—
Forfeited	—	—
Unvested at end of period	<u>1,543,277</u>	\$ 25.05

Incentive RLUs

As part of the Company's annual compensation process, the Company issued Incentive RLUs to certain employees. The Incentive RLUs vest pro rata over 3 or 5 years from the grant date. Upon vesting, RLUs automatically convert on a one-for-one basis into LLC Common Units.

	Six Months Ended June 30, 2022	
	Restricted LLC Units	Weighted Average Grant Date Fair Value
Unvested at beginning of period	—	\$ —
Granted	145,527	34.86
Vested	—	—
Forfeited	—	—
Unvested at end of period	<u>145,527</u>	\$ 34.86

Class C Incentive Units

Reload Class C Incentive Units

As part of the Organizational Transactions and IPO, certain employees who exchanged their LLC Units for Restricted Common Units were also granted Reload Class C Incentive Units, which are profits interests. When the value of Class A common stock exceeds the IPO price of \$23.50, any vested profits interests may be exchanged for LLC Common Units of equal value. On exchange, the LLC

Common Units may immediately be redeemed on a one-to-one basis for Class A common stock. The Reload Class C Incentive Units vest either 100% 3 years from the grant date or over 5 years from the grant date, with 33.3% vesting in each of years 3, 4 and 5.

	Six Months Ended June 30, 2022	
	Class C Incentive Units	Weighted Average Participation Threshold
Unvested at beginning of period	3,911,490	\$ 23.50
Granted	—	—
Vested	—	—
Forfeited	—	—
Unvested at end of period	<u>3,911,490</u>	\$ 23.50

Staking Class C Incentive Units

Related to the IPO, certain employees were granted Staking Class C Incentive Units, which are profits interests. When the value of the Class A common stock exceeds the IPO price of \$23.50, any vested profits interests may be exchanged for LLC Common Units of equal value. On exchange, the LLC Common Units may immediately be redeemed on a one-to-one basis for Class A common stock. The Staking Class C Incentive Units vest either pro rata over 5 years from the grant date or over 10 years from the grant date, with 10% vesting in each of years 3 through 9 and 30% vesting in year 10.

	Six Months Ended June 30, 2022	
	Class C Incentive Units	Weighted Average Participation Threshold
Unvested at beginning of period	2,116,667	\$ 23.50
Granted	—	—
Vested	—	—
Forfeited	—	—
Unvested at end of period	<u>2,116,667</u>	\$ 23.50

Class C Incentive Units

As part of the Company's annual compensation process, the Company issued Class C Incentive Units to certain employees, which are profits interests. When the value of the Class A common stock exceeds the participation threshold, any vested profits interests may be exchanged for LLC Common Units of equal value. On exchange, the LLC Common Units may immediately be redeemed on a one-to-one basis for Class A common stock. The Class C Incentive Units vest over 8 years from the grant date, with 15% vesting in each of years 3 through 7 and 25% vesting in year 8.

	Six Months Ended June 30, 2022	
	Class C Incentive Units	Weighted Average Participation Threshold
Unvested at beginning of period	—	\$ —
Granted	300,000	34.39
Vested	—	—
Forfeited	—	—
Unvested at end of period	<u>300,000</u>	\$ 34.39

Valuation Considerations

The Restricted Common Units and RLUs, once vested and after delivery of LLC Common Units, are exchangeable into shares of Class A common stock of the Company on a one-to-one basis, which entitles the unitholders to TRA payments resulting from 85% of the tax savings generated by the Company. The various Class C Incentive Units have the same terms as the LLC Common Units, with the exception of their respective participation thresholds. When the price of the Class A common stock exceeds the participation threshold, the Class C Incentive Units can be exchanged for Restricted Common Units of equal value and are entitled to the same TRA payments upon an exchange to Class A common stock. In order to value the Restricted Common Units, RLUs, and Class C Incentive Units, the Company is required to make certain assumptions with respect to selected model inputs.

Due to the nature of the underlying risks inherent in TRA payments and the uncertainty as to when the participation threshold will be satisfied for the Class C Incentive Units, we use a Monte Carlo simulation to explicitly model the impact of future stock prices on the

size of the amortizable asset, as well as the impact of different levels of taxable income on the timing of the TRA payments, in a risk-neutral framework. The Monte Carlo simulation model uses the following assumptions: the simulated closing stock price, the simulated taxable income, the risk-free interest rate, the expected dividend yield, and the expected volatility and correlation of the Company's stock price and taxable income. The dividend yield was based on the Company's expected dividend rate of 0.0%. The risk-free interest rate range of 1.9%-2.4% was based on U.S. Treasury rates commensurate with a term of 30 years. Due to the transfer restrictions on the IPO awards, a discount for lack of marketability was applied based on the term between when each Restricted Common Unit, IPO RLU, Staking Class C Incentive Unit, or Reload Class C Incentive Unit vests, and when it is released from the transfer restriction. The range of discounts from 6.0% to 19.1% were applied on the proportion of value associated with the receipt of Class A common stock upon the exchange of each Restricted Common Unit, IPO RLU, or Class C Incentive Unit.

Non-Employee Director Stock Grants

Starting in 2022, the Company grants RSUs ("Director Stock Grants") to non-employee directors serving as members of the Company's Board of Directors, with the exception of the one director appointed by Onex in accordance with Onex's nomination rights who has agreed to forgo any compensation for his service to the Board. The Director Stock Grants are vested immediately upon grant. During the six months ended June 30, 2022, the Company granted 53,159 Director Stock Grants. The Company recognized \$0.1 million and \$1.6 million of expense related to the Director Stock Grants during the three and six months ended June 30, 2022, respectively.

Profit Sharing Contribution

In March 2022, the Company made a discretionary profit sharing contribution of 75,026 shares of Class A common stock, collectively, to certain employees' defined contribution retirement benefit plan accounts. The Company recognized \$2.6 million of expense related to the profit sharing contribution during the six months ended June 30, 2022.

Equity-Based Compensation Expense

As of June 30, 2022, the unrecognized equity-based compensation costs related to each equity-based compensation award described above and the related weighted-average remaining expense period is as follows:

	Amount	Weighted Average Remaining Expense Period (years)
Restricted Stock	\$ 12,920	1.5
IPO RSUs	66,934	4.8
Incentive RSUs	26,019	2.9
Reload Options	5,758	2.3
Staking Options	441	6.4
Incentive Options	1,895	3.8
Restricted Common Units	11,584	1.0
IPO RLUs	31,787	6.2
Incentive RLUs	4,293	1.9
Reload Class C Incentive Units	7,553	2.8
Staking Class C Incentive Units	19,637	5.5
Class C Incentive Units	5,394	5.5
Total unrecognized equity-based compensation expense	\$ 194,215	

The following table includes the equity-based compensation expense the Company realized in the three and six months ended June 30, 2022 by expense type from the view of expense related to pre- and post-IPO awards. The table also presents the unrecognized

equity-based compensation expense as of June 30, 2022 in the same view. A similar view has not been presented for the three and six months ended June 30, 2021 as all equity based-compensation expense was related to legacy LLC equity.

	Recognized		Unrecognized As of June 30, 2022
	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022	
IPO awards			
IPO RSUs and Staking Options	\$ 6,115	\$ 13,007	\$ 67,375
IPO RLUs and Staking Class C Incentive Units	3,359	6,682	51,424
Incremental Restricted Stock and Reload Options	1,841	3,926	12,218
Incremental Restricted Common Units and Reload Class C Incentive Units	2,789	6,934	16,241
Pre-IPO incentive awards			
Restricted Stock	1,383	2,802	6,460
Restricted Common Units	861	1,738	2,896
Post-IPO incentive awards			
Incentive RSUs	2,211	2,550	26,019
Incentive RLUs	676	780	4,293
Incentive Options	132	152	1,895
Class C Incentive Units	275	317	5,394
Other expense			
Director Stock Grants		1,560	
	138		N/A
Profit Sharing Contribution	—	2,580	N/A
Total equity-based compensation expense	\$ 19,780	\$ 43,028	\$ 194,215

The Company recognized equity-based compensation expense of \$19.8 million and \$3.2 million for the three months ended June 30, 2022 and 2021, respectively. The Company recognized equity-based compensation expense of \$43.0 million and \$7.6 million for the six months ended June 30, 2022 and 2021, respectively

12. Earnings Per Share

Basic earnings per share is computed by dividing net earnings attributable to Ryan Specialty Holdings, Inc. by the weighted-average number of shares of Class A common stock outstanding during the period. Diluted earnings per share is computed giving effect to all potentially dilutive shares. As shares of Class B common stock do not share in earnings and are not participating securities they are not included in the Company's calculation.

Prior to the IPO, the LLC equity structure included preferred units, Class A common units, and Class B common units. The Company considered the calculation of earnings per unit for periods prior to the IPO and determined that it would not be meaningful to the users of these consolidated financial statements. Therefore, earnings per share information has not been presented for the three and six months ended June 30, 2021.

A reconciliation of the numerator and denominator used in the calculation of basic and diluted earnings per share of Class A common stock is as follows:

	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
Net income	\$ 70,120	\$ 88,196
Net income attributable to non-controlling interests		
	45,619	56,784
Net income attributable to Ryan Specialty Holdings, Inc.	\$ 24,501	\$ 31,412
Numerator:		
Net income attributable to Class A common shareholders	\$ 24,501	\$ 31,412
Add: Income attributed to substantively vested RSUs	387	372
Net income attributable to Class A common shareholders- basic	24,888	31,784
Add: Income attributed to dilutive shares	1,544	41,942
Net income attributable to Class A common shareholders- diluted	\$ 26,432	\$ 73,726
Denominator:		
Weighted-average shares of Class A common stock outstanding- basic	108,054,437	107,327,462
Add: Dilutive shares	12,150,465	157,090,008
Weighted-average shares of Class A common stock outstanding- diluted	120,204,902	264,417,470
Earnings per Share:		
Earnings per share of Class A common stock- basic	\$ 0.23	\$ 0.30
Earnings per share of Class A common stock- diluted	\$ 0.22	\$ 0.28

The following number of shares were excluded from the calculation of diluted earnings per share because the effect of including such potentially dilutive shares would have been antidilutive:

	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
Incentive Options	175,222	175,222
Class C Incentive Units	300,000	300,000
Conversion of non-controlling interest LLC Common Units ⁽¹⁾	144,495,397	—

⁽¹⁾Weighted average shares outstanding for the three months ended June 30, 2022.

13. Derivatives

Redeemable Preferred Units Embedded Derivatives

As discussed in Note 10, *Stockholders' and Members' Equity*, the Company's IPO in July 2021 was a realization event triggering the payment of the make-whole provision related to the Redeemable Preferred Units to Onex. Consequently, the embedded derivatives related to the make-whole provision were no longer outstanding as of June 30, 2022. The Company recognized \$8.0 million and \$20.6 million of loss related to the Redeemable Preferred Units embedded derivatives during the three and six months ended June 30, 2021. The losses were recognized in Other non-operating loss (income) within the Consolidated Statements of Income. The Company recognized the \$20.6 million of loss related to the six months ended June 30, 2021 in Other current assets and accrued liabilities on the Consolidated Statements of Cash Flows.

Interest Rate Cap

On April 7, 2022, the Company entered into an interest rate cap agreement to manage its exposure to interest rate fluctuations related to the Company's Term Loan in the amount of \$25.5 million. The interest rate cap has a \$1,000.0 million notional amount, 2.75% strike, and terminates on December 31, 2025. As of June 30, 2022, the fair value of the interest rate cap was \$24.6 million, which is included in Other non-current assets on the Consolidated Balance Sheets. The Company formally designated the interest rate cap as a cash flow hedge. At June 30, 2022, the interest rate cap agreement was determined to be an effective hedge. The Company elected to exclude the change in the time value of the interest rate cap from the assessment of hedge effectiveness and will amortize the initial value of the premium over the life of the instrument. The premium amortization was recognized in Interest expense, net on the Consolidated Statements of Income. The \$0.3 million difference between the \$0.9 million change in fair value of the interest rate cap and the \$1.2 million of premium amortization was recognized in Other comprehensive income (loss) for the three and six months ended June 30, 2022. The Company recognized the \$0.9 million change in fair value in Other non-current assets and accrued liabilities on the Consolidated Statements of Cash Flows for the six months ended June 30, 2022.

14. Employee Benefit Plans, Prepaid and Long-Term Incentives

Defined Contribution Plan

The Company offers a defined contribution retirement benefit plan, the Ryan Specialty Employee Savings Plan (the "Plan"), to all eligible U.S. employees, based on a minimum number of service hours in a year. Under the Plan, eligible employees may contribute a percentage of their compensation, subject to certain limitations. Further, the Plan authorizes the Company to make a discretionary matching contribution, which has historically equaled 50% of each eligible employee's contribution. The Company makes discretionary matching contributions throughout the year. The Company recognized expense related to discretionary matching contributions in the amount of \$4.2 million and \$3.6 million during the three months ended June 30, 2022 and 2021, respectively, and \$10.4 million and \$7.1 million during the six months ended June 30, 2022 and 2021, respectively.

Deferred Compensation Plan

The Company offers a non-qualified deferred compensation plan to certain senior employees and members of management. Under this plan, amounts deferred remain assets of the Company and are subject to the claims of the Company's creditors in the event of insolvency. Changes in value on deferred amounts held are recognized within Compensation and benefits in the Consolidated Statements of Income and Current and Non-current Accrued compensation in the Consolidated Balance Sheets. As of June 30, 2022, \$1.7 million and \$6.4 million were included in Current Accrued compensation and Non-current Accrued compensation, respectively. As of December 31, 2021, \$4.2 million was included in Non-current Accrued compensation in the Consolidated Balance Sheets.

Long-Term Incentive Compensation Agreements

The Company has entered into certain long-term incentive agreements whereby, at the end of a service period, employees are awarded cash according to specified formulas, typically associated with an acquisition. The Company recognizes expense within Compensation and benefits in the Consolidated Statements of Income over the service period of these awards based on the estimated expected payout. The Company recognized compensation expense of \$0.0 million and \$0.5 million during the three months ended June 30, 2022 and 2021, respectively, and \$0.2 million and \$1.0 million related to these awards for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022, \$0.0 million and \$0.2 million related to such agreements was included within Current Accrued compensation and Non-current Accrued compensation, respectively, in the Consolidated Balance Sheets. As of December 31, 2021, \$5.2 million and \$0.2 million related to such agreements was included in Current Accrued compensation and Non-current Accrued compensation, respectively, in the Consolidated Balance Sheets.

All Risks Long-Term Incentive Plans

ARL had established various long-term incentive plans ("LTIPs") throughout its history to incentivize certain executives, producers and key employees. ARL additionally established sales bonuses, implemented by the management of ARL, as compensation for past services performed in connection with executing the sale of the business to Ryan Specialty. The LTIP awards vest based on the achievement of various service conditions and are cash-settled. Subsequent to the acquisition, cash settlements are made by the Company. The total \$328.0 million value related to sales bonuses and LTIP awards at the acquisition date was \$24.3 million and \$303.7 million, respectively. The portion allocated to the pre-combination service period and accounted for as consideration transferred was \$257.6 million inclusive of sales bonuses, of which \$114.7 million was paid at close. The total future estimated LTIP expense at the acquisition date was \$70.4 million.

On August 10, 2021, the Company's Board of Directors elected to terminate the ARL long-term incentive plans. The decision to terminate the plans did not change the value of, or entitlements to, any benefits thereunder. The benefits accrued under these plans are

required to be paid within twelve months of the termination date, subject to participants meeting service conditions, thereby accelerating certain payments.

Of the expense related to post-combination services, after forfeitures of \$2.9 million, the Company recognized \$14.7 million and \$17.5 million related to these awards for the six months ended June 30, 2022 and 2021, respectively, with the remaining expense of \$5.1 million to be recognized in the third quarter of 2022. \$7.1 million and \$8.6 million of expense was recognized during the three months ended June 30, 2022 and 2021, respectively. The related expense is recognized in Compensation and benefits in the Consolidated Statements of Income. The Company made cash payments of \$4.1 million and \$0.6 million for the six months ended June 30, 2022 and 2021, respectively, with the remaining cash balance of \$106.7 million to be paid in the third quarter of 2022. The LTIP accrual was \$101.6 million and \$91.0 million as of June 30, 2022 and December 31, 2021, respectively. The liability for these awards is recognized in Current Accrued compensation in the Consolidated Balance Sheets.

Forgivable Notes

Historically the Company offered forgivable notes to certain employees as an incentive, whereby the principal amount of forgivable notes and accrued interest is forgiven by the Company over the term of the notes, so long as the employee continues employment with Ryan Specialty and complies with certain contractual requirements. These notes are structured as recourse loans and contain non-solicit clauses and have terms that are between three and ten years. In the event of an employee's termination, whether voluntary or involuntary, the employee must repay the unpaid, unforgiven note balance at termination. The Company has a policy of enforcing the provisions of the unforgiven portion of the forgivable note agreements by pursuing collection through third-party collection agencies and taking legal action.

The aggregate balance of forgivable notes was \$27.6 million and \$31.2 million as of June 30, 2022 and December 31, 2021, respectively. This balance is included within Current and Non-current Prepaid incentives - net in the Company's Consolidated Balance Sheets. The amortization expense associated with the forgiveness of the principal amount of the notes and accrued interest is recorded within Compensation and benefits within the Consolidated Statements of Income over the related service periods, which is consistent with the term of the notes. The Company recognized expense related to the forgivable notes of \$1.8 million and \$1.6 million during the three months ended June 30, 2022 and 2021, respectively, and \$3.5 million and \$3.7 million during the six months ended June 30, 2022 and 2021, respectively. As of the end of 2020, the Company no longer issues forgivable notes as employee incentives.

15. Variable Interest Entities

Ryan Specialty Holdings Inc. is a holding company and the sole managing member of the LLC. The Company's principal asset is a controlling equity interest in the LLC. The Company considers itself the primary beneficiary of the LLC as the Company has both the power to direct the activities that most significantly impact the LLC's economic performance and is expected to receive benefits that are significant to the Company. As the primary beneficiary of the LLC, the Company consolidates the results and operations of the LLC for financial reporting purposes under the variable interest consolidation model guidance in ASC 810 *Consolidations*. The Company's relationship with the LLC results in no recourse to the general credit of the Company. Further, the Company has no contractual requirement to provide financial support to the LLC. The Company shares in the income and losses of the LLC in direct proportion to the Company's ownership percentage.

The Company's financial position, financial performance and cash flows effectively represent those of the LLC as of and for the period ended June 30, 2022, with the exception of Cash and cash equivalents of \$18.7 million, Accounts payable and accrued liabilities of \$9.2 million, the entire balance of the Tax Receivable Agreement liabilities of \$293.8 million and Deferred tax assets of \$404.3 million on the Consolidated Balance Sheets, which are attributable solely to the Company. As of December 31, 2021, the Tax Receivable Agreement liabilities of \$272.1 million and \$382.8 million of the Deferred tax assets on the Consolidated Balance Sheet were attributable solely to the Company.

16. Fair Value Measurements

Accounting standards establish a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair values as follows:

Level 1. Observable inputs such as quoted prices for identical assets in active markets.

Level 2. Inputs other than quoted prices for identical assets in active markets, that are observable either directly or indirectly.

Level 3. Unobservable inputs in which there is little or no market data which requires the use of valuation techniques and the development of assumptions.

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level of input that is significant to the fair value measure in its entirety.

The carrying amount of financial assets and liabilities reported in the Consolidated Balance Sheets for cash and cash equivalents, commissions and fees receivable—net, other current assets, accounts payable, and other accrued liabilities as of June 30, 2022 and December 31, 2021 approximate fair value because of the short-term duration of these instruments.

Derivative Instruments

Redeemable Preferred Units

In prior periods, the fair value of the combined embedded derivatives on the Redeemable Preferred Units was based on the likelihood of a mandatorily redeemable triggering event, a Realization Event as defined by the Onex Purchase Agreement, and the present value of any remaining unpaid dividends between the reporting period and the fifth anniversary of the issuance date, which was a Level 3 fair value measurement. In determining the fair value, the Company historically estimated the likelihood of a Realization Event based on discussions with management, then estimated the present value of any remaining dividends using a 10.5% discount rate derived from a review of comparable issuances and benchmarking. The present value of the remaining dividends was then combined with the estimated likelihood of a Realization Event to arrive at the estimated fair value. Changes in the timing and likelihood of a Realization Event and/or the discount rates used resulted in a change in the fair value of recorded embedded derivative obligations. As the Company's IPO in July 2021 was a Realization Event triggering the payment to Onex of the make-whole provision, there are no further amounts outstanding.

Interest Rate Cap

The Company uses an interest rate cap agreement to manage its exposure to interest rate fluctuations related to the Company's Term Loan. The fair value of the interest rate cap agreement is determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the cap. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. The inputs used in determining the Company's derivative financial instruments reported at fair value are considered Level 2.

Contingent Consideration

The fair value of these contingent consideration obligations is based on the present value of the future expected payments to be made to the sellers of the acquired businesses in accordance with the provisions outlined in the respective purchase agreements, which is a Level 3 fair value measurement. In determining fair value, the Company estimates cash payments based on management's financial projections of the performance of each acquired business relative to the formula specified by each purchase agreement. The Company utilizes Monte Carlo simulations to evaluate financial projections of each acquired business. The Monte Carlo models consider forecasted revenue and EBITDA and market risk adjusted revenue and EBITDA which are then run through a series of simulations. The risk-free rates, expected volatility, and credit spread used in the models range from 1.73% to 2.92%, 15.0% to 47.5% and 6.0% to 6.2%, respectively, for the period ended June 30, 2022. As of December 31, 2021, the risk-free rates, expected volatility, and credit spread used in the models ranged from 0.06% to 0.85%, 15.0% to 35.0%, and 2.3% to 3.2%, respectively. The Company then discounts the expected payments created by the Monte Carlo model to present value using a risk-adjusted rate that takes into consideration the market-based rates of return that reflect the ability of the acquired entity to achieve its targets. These discount rates generally range from 5.3% to 14.8% for the acquisitions.

Each period, the Company revalues the contingent consideration obligations associated with certain prior acquisitions to their fair value and records subsequent changes to the fair value of these estimated obligations in Change in contingent consideration in the Consolidated Statements of Income. Changes in contingent consideration result from changes in the assumptions regarding probabilities of successful achievement of related EBITDA and percentage milestones, the estimated timing in which milestones are achieved, and the discount rate used to estimate the fair value of the liability. Contingent consideration may change significantly as the Company's revenue growth rate and EBITDA estimates evolve and additional data is obtained, impacting the Company's assumptions. The use of different assumptions and judgements could result in a materially different estimate of fair value which may have a material impact on the results from operations and financial position. See Note 4, *Mergers and Acquisitions*, for further information on contingent consideration.

The following fair value hierarchy table presents information about the Company's liabilities measured at fair value on a recurring basis as of June 30, 2022 and December 31, 2021.

	June 30, 2022			December 31, 2021		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:						
Interest rate cap	\$ —	\$ 24,637	\$ —	\$ —	\$ —	\$ —
Liabilities:						
Debt ⁽¹⁾	\$ 1,928,124	\$ —	\$ —	\$ 1,631,412	\$ —	\$ —
Contingent purchase consideration	—	—	26,357	—	—	42,053
Total assets and liabilities measured at fair value	\$ 1,928,124	\$ 24,637	\$ 26,357	\$ 1,631,412	\$ —	\$ 42,053

⁽¹⁾ As of June 30, 2022, this represents the Term Loan and Senior Secured Notes. As of December 31, 2021, only the Term Loan was outstanding. See Note 9, *Debt*.

There were no assets or liabilities that were transferred between fair value hierarchy levels during the six months ended June 30, 2022 or the year ended December 31, 2021.

The following is a reconciliation of the beginning and ending balances for the Level 3 liabilities measured at fair value:

	June 30, 2022		June 30, 2021		Total
	Contingent Purchase Consideration	Make-Whole Provision on Redeemable Preferred Units	Contingent Purchase Consideration		
Balance at beginning of period	\$ 42,053	\$ 30,423	\$ 22,096	\$ 52,519	
Total (gains) losses included in earnings	(462)	20,612	2,712	23,324	
Settlements	(15,234)	—	(2,673)	(2,673)	
Balance at end of period	\$ 26,357	\$ 51,035	\$ 22,135	\$ 73,170	

During the six months ended June 30, 2022 and 2021, there were no purchases, issues, sales, or transfers related to fair value measurements. During the six months ended June 30, 2022, the \$9.0 million and \$6.2 million settlements of contingent consideration are presented in the operating and financing sections, respectively, of the Consolidated Statements of Cash Flows. The \$2.7 million settlement of contingent consideration in the six months ended June 30, 2021 is presented in the operating section of the Consolidated Statements of Cash Flows.

17. Commitments and Contingencies

Legal – E&O and Other Considerations

As an excess and surplus lines and admitted markets intermediary, and in addition to ordinary course of business E&O exposure, the Company has potential E&O risk if an insurance carrier with which Ryan Specialty placed coverage denies coverage for a claim or pays less than the insured believes is the full amount owed. As a result, the Company from time to time seeks to resolve early in the process, through a commercial accommodation, certain matters to limit the economic exposure and reputational risk, including potential legal fees, created by a disagreement between a carrier and the insured.

The Company purchases insurance to provide protection from E&O liabilities that may arise during the ordinary course of business. Ryan Specialty's E&O insurance provides aggregate coverage for E&O losses up to \$100.0 million in excess of a \$2.5 million retention amount per claim. The Company has historically maintained self-insurance reserves for the Company's retention portion of the E&O exposure that is not insured. The Company periodically determines a range of possible reserve levels using the best available information that rely heavily on projecting historical claim data into the future.

The reserve for these and other non-E&O claims and business accommodations in the Consolidated Balance Sheets is above the lower end of the most recently determined range. Reserves of \$3.7 million and \$2.7 million were held for outstanding matters as of June 30, 2022 and December 31, 2021, respectively. The Company recognized \$1.3 million and \$0.4 million of expense for the three months ended June 30, 2022 and 2021, respectively, and \$1.7 million and \$0.7 million for the six months ended June 30, 2022 and 2021, respectively, in General and administrative expense on the Consolidated Statements of Income. The historical claim and commercial accommodation data used to project the current reserve levels may not be indicative of future claim activity. Thus, the reserve levels, which may be based on corresponding actuarial ranges, could change in the future as more information becomes known, which could materially impact the amounts reported and disclosed herein.

18.Related Parties

The Company has entered into various transactions and agreements with the LLC, its subsidiaries, certain other affiliates and related parties (collectively, "Related Parties").

Ryan Re and Geneva Re

Ryan Re

Ryan Re was designed in 2018 to incubate a new reinsurance underwriting service offering. On June 13, 2019, Ryan Re was contributed to Geneva Ryan Holdings, LLC ("GRH"). GRH was formed as an investment holding company designed to aggregate investment funds of Patrick G. Ryan and other affiliated investors. One affiliated investor is an LLC Unitholder and a director of the Company, and another is an LLC Unitholder and employee of the Company. Ryan Specialty does not consolidate GRH as the Company does not have a direct investment or variable interest in this entity. On June 13, 2019, the Company acquired a controlling interest of 47% of the common units in Ryan Re from GRH with a \$1 par value for \$4.70 and was appointed the Managing Member of Ryan Re. GRH retained a 53% interest in this entity.

On March 31, 2021, GRH distributed a portion of its interest in Ryan Re to the two investors affiliated with Ryan Specialty. The Company subsequently acquired the remaining 53% of the common units in Ryan Re from GRH and the two affiliated investors with a \$1 par value for total consideration of \$48.4 million. The valuation of the outstanding interest in Ryan Re was determined by an unrelated third party. Upon the Company acquiring the remaining 53% of common units, Ryan Re became a wholly owned subsidiary of the Company. The non-controlling interest presented on the Consolidated Statements of Income for the six months ended June 30, 2021 relates to Ryan Re prior to it becoming a wholly owned subsidiary.

Ryan Investment Holdings

Ryan Investment Holdings, LLC ("RIH") was formed as an investment holding company designed to aggregate the funds of Ryan Specialty and GRH for investment in Geneva Re Partners, LLC ("GRP"). The Company holds a 47% interest in RIH and GRH holds a 53% interest in RIH. RIH has a 50% non-controlling interest in GRP, and the other 50% is owned by Nationwide Mutual Insurance Company ("Nationwide"). GRP wholly owns Geneva Re, Ltd ("Geneva Re"), a Bermuda-regulated reinsurance company. RIH is considered a related party variable interest entity under common control with the Company. The Company is not most closely associated with the variable interest entity and therefore does not consolidate RIH. The assets of RIH are restricted to settling obligations of RIH, pursuant to Delaware limited liability company statutes.

The Company is not required to contribute any additional capital to RIH, and its maximum exposure to loss on the equity method investment is the total invested capital of \$47.0 million. The Company may be exposed to losses arising from the equity method investment, as a result of underwriting losses recognized at Geneva Re or losses on Geneva Re's investment portfolio.

Geneva Re

As discussed above, Geneva Re is a wholly owned subsidiary of GRP. GRP was formed as a joint venture between Nationwide and RIH, with each retaining a 50% ownership interest in GRP in exchange for a \$50.0 million initial cash investment from each. The Company, through its investment in RIH and in connection with the GRP subscription agreement, has an agreement that outlines the terms of the Company's investment in RIH, as well as the commitment of RIH's unit holders to invest funds into GRP at the request of the GRP board, for a total investment of \$47.0 million.

On January 1, 2021, the Company entered into a service agreement with Geneva Re to provide both administrative services to, as well as disburse payments for costs directly incurred by, Geneva Re. These direct costs include compensation expenses incurred by employees of Geneva Re. The Company had \$0.7 million and \$0.5 million due from Geneva Re under this agreement as of June 30, 2022 and December 31, 2021, respectively.

Revenue earned from Geneva Re, net of applicable constraints, was \$0.4 million and \$0.4 million for the three months ended June 30, 2022 and 2021, respectively, and \$0.8 million and \$0.9 million for the six months ended June 30, 2022 and 2021, respectively. Receivables due from Geneva Re under this agreement, net of applicable constraints, was \$1.5 million and \$4.2 million as of June 30, 2022 and December 31, 2021, respectively.

Company Leasing of Corporate Jets

In the ordinary course of its business, the Company charters executive jets for business purposes from a third-party service provider called Executive Jet Management (“EJM”). Mr. Ryan indirectly owns aircraft that he leases to EJM for EJM’s charter operations, which include EJM chartering to third parties, for which he receives remuneration from EJM. The Company pays market rates for chartering aircraft through EJM, unless the particular aircraft chartered is Mr. Ryan’s, in which case the Company receives a discount below market rates. Historically, the Company has been able to charter Mr. Ryan’s aircraft and make use of this discount. The Company recognized expense related to business usage of the aircraft of \$0.3 million and \$0.1 million for the three months ended June 30, 2022 and 2021, respectively, and \$0.4 million and \$0.3 million for the six months ended June 30, 2022 and 2021, respectively.

Consulting Arrangement with a Director

We have contracted with Michael O’Halloran, a director of the Company, to provide consulting services. Mr. O’Halloran receives less than \$0.1 million on a quarterly basis. Mr. O’Halloran’s compensation under the consulting agreement of \$0.2 million annually is based on external market practices of similar positions for consultants or employees who are not members of the Board of Directors.

Employment of an Immediate Family Member of a Director

Michael O’Halloran’s son is an employee of the Company. He has been an employee of the Company since August 11, 2014. His total annual compensation for 2021 was \$0.3 million, including production bonuses of \$0.1 million. His total annual compensation for 2022 is expected to be substantively the same. He also received benefits generally available to all employees. His compensation was determined in accordance with our standard employment and compensation practices.

19. Income Taxes

The Company is taxed as a corporation for income tax purposes and is subject to federal, state, and local taxes with respect to its allocable share of any net taxable income from the LLC. The LLC is a limited liability company taxed as a partnership for income tax purposes, and its taxable income or loss is passed through to its members, including the Company. The LLC is subject to income taxes on its taxable income in certain foreign countries, in certain state and local jurisdictions that impose income taxes on partnerships, and on the taxable income of its U.S. corporate subsidiary. For the periods presented prior to the Organizational Transactions and IPO, the reported income taxes represent those of the LLC.

The Company’s effective tax rate from continuing operations was 13.74% and 3.55% for the three months ended June 30, 2022 and 2021, respectively, and 7.03% and 7.12% for the six months ended June 30, 2022 and 2021, respectively. The effective tax rate for the three months ended June 30, 2022 is significantly different from the 21% statutory rate primarily as a result of income attributable to the non-controlling interest. The effective tax rate for the six months ended June 30, 2022 is significantly different from the 21% statutory rate primarily as a result of the changes in state tax rates and the income attributable to the non-controlling interest. The quarterly effective tax rates for the three and six months ended June 30, 2021 are significantly different from the 21% statutory tax rate primarily because the Company was taxed as an LLC pre-IPO.

The Company does not believe it has any significant uncertain tax positions and therefore has no unrecognized tax benefits as of June 30, 2022, that if recognized, would affect the annual effective tax rate. The Company does not anticipate material changes in unrecognized tax benefits within the next twelve-month period. The Company’s 2021 tax year filings are open to examination by taxing authorities for U.S. federal and state income tax purposes.

Deferred Taxes

The Company reported Deferred tax assets of \$404.2 million and \$382.8 million as of June 30, 2022 and December 31, 2021, respectively, and Deferred tax liabilities of \$0.7 million and \$0.6 million as of June 30, 2022 and December 31, 2021, respectively, on the Consolidated Balance Sheets. The increase in the Deferred tax assets during the six months ended June 30, 2022 was primarily related to an increase of \$9.8 million for changes in the state tax rates, which resulted in a tax benefit on the Consolidated Statements of Income, and an increase of \$15.4 million due to exchanges of LLC Common Units, which resulted in an increase to Additional paid-in capital on the Consolidated Statements of Mezzanine Equity and Stockholders’/Members’ Equity.

As of June 30, 2022, the Company concluded that, based on the weight of all available positive and negative evidence, the Deferred tax assets with respect to the Company's basis difference in its investment in the LLC are more likely than not to be realized. As such, no valuation allowance has been recognized against that basis difference.

Tax Receivable Agreement (TRA)

In connection with the Organizational Transactions and IPO, the Company entered into a TRA with current and certain former LLC Unitholders. The TRA provides for the payment by the Company to the current and certain former LLC Unitholders of 85% of the net cash savings, if any, in U.S. federal, state, and local income taxes that the Company realizes (or is deemed to realize in certain circumstances) as a result of (i) certain increases in the tax basis of the assets of the LLC resulting from purchases or exchanges of LLC Common Units ("Exchange Tax Attributes"), (ii) certain tax attributes of the LLC that existed prior to the IPO ("Pre-IPO M&A Tax Attributes"), (iii) certain favorable "remedial" partnership tax allocations to which the Company becomes entitled (if any), and (iv) certain other tax benefits related to the Company entering into the TRA, including certain tax benefits attributable to payments that the Company makes under the TRA ("TRA Payment Tax Attributes"). The Company recognizes a liability on the Consolidated Balance Sheets based on the undiscounted estimated future payments under the TRA. The amounts payable under the TRA will vary depending upon a number of factors, including the amount, character, and timing of the taxable income of the Company in the future.

Based on current projections, the Company anticipates having sufficient taxable income to be able to realize the benefits and has recorded Tax Receivable Agreement liabilities of \$293.8 million related to these benefits on the Consolidated Balance Sheets as of June 30, 2022. The following summarizes activity related to the Tax Receivable Agreement liabilities:

	Exchange Tax Attributes	Pre-IPO M&A Tax Attributes	TRA Payment Tax Attributes	TRA Liabilities
Balance at December 31, 2021	\$ 136,704	\$ 83,389	\$ 52,007	\$ 272,100
Exchange of LLC Common Units	9,897	1,435	3,159	14,491
Remeasurement - change in state rate	2,884	1,759	2,530	7,173
Balance at June 30, 2022	\$ 149,485	\$ 86,583	\$ 57,696	\$ 293,764

During the six months ended June 30, 2022, the TRA liabilities increased \$14.5 million due to an exchange of LLC Common Units for Class A common stock, which resulted in a decrease to Additional paid-in capital on the Consolidated Statements of Mezzanine Equity and Stockholders'/Members' Equity. During the same period, the Company remeasured the TRA liabilities due to changes in state tax rates resulting in a \$7.2 million expense as the Company increased its estimated cash tax savings rate from 25.12% to 25.65%. The change was recognized in Other non-operating loss on the Consolidated Statements of Income.

20. Supplemental Cash Flow Information

The following represents the supplemental cash flow information of the Company for the six months ended June 30, 2022 and 2021.

	Six Months Ended June 30,	
	2022	2021
Supplemental cash flow information:		
Cash paid for:		
Interest	\$ 32,050	\$ 32,518
Income taxes	5,179	5,897
Non-cash investing and financing activities:		
Accretion of premium on mezzanine equity	\$ —	\$ 1,196
Accumulated deficit due to accretion of premium on mezzanine equity	—	(1,196)
Repurchase of LLC Units	—	(745)
Issuance of unsecured promissory note	—	745

21. Subsequent Events

The Company has evaluated subsequent events through August 12, 2022 and has concluded that no events have occurred that require disclosure.

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

The following discussion and analysis summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity, and cash flows of the Company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q and in the Annual Report on Form 10-K for the year ended December 31, 2021 and filed with the SEC on March 16, 2022. The discussion contains forward-looking statements that are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed below and in our Annual Report on Form 10-K, particularly in the sections entitled "Risk Factors" and "Information Concerning Forward-Looking Statements."

The following discussion provides commentary on the financial results derived from our unaudited financial statements for the three and six months ended June 30, 2022 and 2021 prepared in accordance with U.S. GAAP. In addition, we regularly review the following Non-GAAP measures when assessing performance: Organic revenue growth rate, Adjusted compensation and benefits expense, Adjusted compensation and benefits expense ratio, Adjusted general and administrative expense, Adjusted general and administrative expense ratio, Adjusted EBITDAC, Adjusted EBITDAC margin, Adjusted net income, Adjusted net income margin and Adjusted diluted earnings per share. See "Non-GAAP Financial Measures and Key Performance Indicators" for further information.

Overview

Founded by Patrick G. Ryan in 2010, we are a service provider of specialty products and solutions for insurance brokers, agents, and carriers. We provide distribution, underwriting, product development, administration, and risk management services by acting as a wholesale broker and a managing underwriter or a program administrator with delegated authority from insurance carriers. Our mission is to provide industry-leading innovative specialty insurance solutions for insurance brokers, agents, and carriers.

For retail insurance agents and brokers, we assist in the placement of complex or otherwise hard-to-place risks. For insurance carriers, we work with retail and wholesale insurance brokers to source, onboard, underwrite, and service these same types of risks. A significant majority of the premiums we place are bound in the E&S market, which includes Lloyd's of London. There is often significantly more flexibility in terms, conditions, and rates in the E&S market relative to the Admitted or "standard" insurance market. We believe that the additional freedom to craft bespoke terms and conditions in the E&S market allows us to best meet the needs of our trading partners, provide unique solutions, and drive innovation. We believe our success has been achieved by providing best-in-class intellectual capital, leveraging our trusted and long-standing relationships, and developing differentiated solutions at a scale unmatched by many of our competitors.

Significant Events and Transactions

Effects of the Reorganization on Our Corporate Structure

We were incorporated in March 2021 and formed for the purpose of the IPO. We are a holding company and our sole material asset is a controlling equity interest in New LLC, which is also a holding company and its sole material asset is a controlling equity interest in the LLC. The Company operates and controls the business and affairs of, and consolidates the financial results of, the LLC through New LLC. We conduct our business through the LLC. As the LLC is substantively the same as New LLC, for the purpose of this discussion, we will refer to both New LLC and the LLC as the "LLC."

The LLC is a limited liability company taxed as a partnership for income tax purposes, and its taxable income or loss is passed through to its members, including the Company. The LLC is subject to income taxes on its taxable income in certain foreign countries, in certain state and local jurisdictions that impose income taxes on partnerships, and on the taxable income of its U.S. corporate subsidiary. After the IPO, the LLC continues to be treated as a pass-through entity for U.S. federal and state income tax purposes. As a result of our ownership of LLC Common Units, we are subject to U.S. federal, state, and local income taxes with respect to our allocable share of any taxable income of the LLC and are taxed at the prevailing corporate tax rates. In addition to tax expenses, we also will incur expenses related to our operations and we will be required to make payments under the Tax Receivable Agreement. Due to the uncertainty of various factors, we cannot estimate the likely tax benefits we will realize as a result of future LLC Common Unit exchanges, and the resulting amounts we are likely to pay out to LLC Unitholders pursuant to the Tax Receivable Agreement; however, we estimate that such tax benefits and the related TRA payments may be substantial. We intend to cause the LLC to make distributions in an amount sufficient to allow us to pay our tax obligations and operating expenses, including distributions to fund any ordinary course payments due under the Tax Receivable Agreement.

Response to COVID-19

An outbreak of a novel strain of the coronavirus, COVID-19, was recognized as a pandemic by the World Health Organization on March 11, 2020. Our leadership took decisive, timely steps to protect the health, safety, and wellbeing of our employees, their families, and trading partners by closing nearly all in-office operations, restricting business travel, and transitioning to a remote work environment. The investments we made in our culture, trading partner relationships, business, technology and IT team members allowed for a seamless transition to a remote work environment. Due to the success of our remote work operations during the pandemic, we have implemented remote work flexibility into our operating model as we now have largely resumed our office operations.

While the pandemic has had a significant detrimental effect on numerous segments of the global economy, it provided opportunities for many aspects of our Wholesale Brokerage, Binding Authority, and Underwriting Management Specialties. We believe the pandemic resulted in an increased flow of submissions into the E&S market and a further hardening of E&S insurance rates (which had already been happening since 2019), thereby yielding higher premiums.

Highlighting the resilience of our business, the dedication of our workforce, and the E&S market opportunities created by the pandemic, in 2020 we completed the All Risks Acquisition (the largest in our history), made substantial progress on our integration of All Risks and the Restructuring Plan (as discussed below), and realized 20.4% organic revenue growth, all in the midst of the pandemic. We managed to sustain this resilience in 2021 and through the second quarter of 2022 through the continued advancement of the integration and Restructuring Plan. For the year ended December 31, 2021 we realized 40.7% revenue growth and 22.4% Organic revenue growth. For the six months ended June 30, 2022 we realized 25.2% revenue growth and 21.3% Organic revenue growth.

While we believe our business and operations have thus far performed at a high level of efficiency and achieved historic results throughout the pandemic, there are no comparable recent events which may provide guidance as to the ultimate effect of the spread of COVID-19 and a global pandemic. As a result, the final impact of the pandemic or a similar health epidemic remains uncertain, particularly if new variants of the virus continue to develop, vaccines and boosters are not distributed at a suitable pace or prove less effective than anticipated, the global economy does not recover as expected, especially in light of current inflationary trends and/or the pandemic otherwise continues beyond current expectations. The effects could yet have a material impact on our results of operations. See "Risk Factors—Risks Related to Our Business and Industry" in our Annual Report on Form 10-K for a discussion of the risks related to the COVID-19 pandemic.

2020 Restructuring Plan

During the third quarter of 2020 and in conjunction with the All Risks Acquisition, we initiated the Restructuring Plan in an effort to reduce costs and increase efficiencies, streamline management reporting structures, and centralize functions across the Company to improve operating margin. The Restructuring Plan was initially expected to generate annual savings of \$25.0 million and be fully actioned by June 30, 2022. The Restructuring Plan was initially expected to incur cumulative one-time charges of between \$30.0 million and \$35.0 million, funded through operating cash flow. Initial savings began to materialize in 2020 with the full run-rate savings expected to be realized by June 30, 2023. As of June 30, 2022, we have completed the Restructuring Plan and we achieved \$29.4 million of expected annual savings, over 90% of which relate to a reduction in workforce with the remaining related to lease and contract terminations, with cumulative one-time charges totaling \$30.9 million. We expect to incur minimal remaining termination benefits and retention costs associated with the Restructuring Plan by the end of the year. Restructuring costs were primarily included in Compensation and benefits expense with the remaining costs in General and administrative expense. See "Note 5, Restructuring" of the unaudited quarterly consolidated financial statements for further discussion.

We began recognizing costs associated with the Restructuring Plan in the third quarter of 2020. For the three and six months ended June 30, 2022, we incurred restructuring costs of \$2.6 million and \$5.7 million, respectively, and cumulative restructuring costs of \$30.9 million since the inception of the plan. These costs are offset by realized savings of approximately \$7.3 million and \$14.1 million for the three and six months ended June 30, 2022, respectively. Of the cumulative \$30.9 million costs, \$20.8 million was workforce-related with the remaining being general and administrative costs.

Key Factors Affecting Our Performance

Our historical financial performance has been, and we expect our financial performance in the future to be, driven by our ability to:

Pursue Strategic Acquisitions

We have successfully integrated businesses complementary to our own to increase both our distribution reach and our product and service capabilities. We continuously evaluate acquisitions and intend to further pursue targeted acquisitions that complement our product capabilities or provide us access to new markets. We have previously made, and intend to continue to make, acquisitions with

the objective of enhancing our human capital and product capabilities, entering natural adjacencies, and expanding our geographic footprint. Our ability to successfully pursue strategic acquisitions is dependent upon a number of factors, including sustained execution of a disciplined and selective acquisition strategy and our ability to effectively integrate targeted companies or assets and grow our business. We do not have agreements or commitments for any significant acquisitions at this time.

Deepen and Broaden our Relationships with Retail Broker Trading Partners

We have deep engagement with our retail broker trading partners. We believe we have the ability to transact in even greater volume with nearly all of our existing retail brokerage trading partners. For example, in 2021, our revenue derived from the Top 100 firms (as ranked by Business Insurance) expanded faster than our Organic revenue growth rate of 22.4%. Our ability to deepen and broaden relationships with our retail broker trading partners and increase sales is dependent upon a number of factors, including client satisfaction with our distribution reach and our product capabilities, competition, pricing, economic conditions, and spending on our product offerings.

Build our National Binding Authority Business

We believe there is substantial opportunity to continue to grow our Binding Authority Specialty, as we believe that both M&A consolidation and panel consolidation are in nascent stages in the binding authority market. Our ability to grow our Binding Authority Specialty is dependent upon a number of factors, including the quality of our services and product offerings, marketing and sales efforts to drive new business prospects and execution, new product offerings, the pricing and quality of our competitors' offerings, and the growth in demand of the insurance products.

Invest in Operation and Growth

We have invested heavily in building a durable business that is able to adapt to the continuously evolving E&S market and intend to continue to do so. We are focused on enhancing the breadth of our product offerings as well as developing and launching new solutions to address the evolving needs of the specialty insurance industry. Our future success is dependent on our ability to successfully develop, market, and sell existing and new products to both new and existing trading partners.

Generate Commission Regardless of the State of the Specialty Insurance Market

We earn commissions, which are calculated as a percentage of the total insurance policy premium, and fees. Changes in the insurance market or specialty lines that are our focus, characterized by a period of increasing (or declining) premium rates, could positively (or negatively) impact our profitability.

Leverage the Growth of the E&S Market

The growing relevance of the E&S market has been driven by the rapid emergence of large, complex, high-hazard, and otherwise hard-to-place risks across many lines of insurance. This trend continued with 21 named storms during the 2021 Atlantic hurricane season producing estimated damages of more than \$70 billion, over 7.8 million acres burned through wildfires in the United States, escalating jury verdicts and social inflation, a proliferation of cyber threats, novel health risks, and the transformation of the economy to a "digital first" mode of doing business. We believe that as the complexity of the E&S market continues to escalate, wholesale brokers and managing underwriters that do not have sufficient scale, or the financial and intellectual capital to invest in the required specialty capabilities, will struggle to compete effectively. This will further the trend of market share consolidation among the wholesale firms with these capabilities. We will continue to invest in our intellectual capital to innovate and offer custom solutions and products to better address these evolving market fundamentals.

Address Costs of Being a Public Company

As we are in the early stages of our operation as a public company, we will continue to implement changes in certain aspects of our business and develop, manage and train management level and other employees to comply with ongoing public company requirements. We have incurred new expenses as a public company, including public reporting obligations, additional headcount, increased professional fees for accounting, proxy statements, stockholder meetings, stock exchange fees, transfer agent fees, SEC and FINRA filing fees, legal fees, franchise taxes and insurance expenses.

Summary of Financial Performance Highlights

<i>(in thousands, except percentages and per share data)</i>	Three Months Ended June 30,				Change		Six Months Ended June 30,				Change	
	2022	2021	\$	%	2022	2021	\$	%				
GAAP financial measures												
Total revenue	\$ 491,292	\$ 390,012	\$ 101,280	26.0 %	\$ 878,182	\$ 701,470	\$ 176,712	25.2 %				
Compensation and benefits	310,058	236,801	73,257	30.9	584,331	451,287	133,044	29.5				
General and administrative	48,495	30,685	17,810	58.0	90,860	58,230	32,630	56.0				
Total operating expenses	385,764	297,750	88,014	29.6	729,267	569,365	159,902	28.1				
Operating income	105,528	92,262	13,266	14.4	148,915	132,105	16,810	12.7				
Net income	70,120	63,407	6,713	10.6	88,196	59,606	28,590	48.0				
Net income attributable to Ryan Specialty Holdings, Inc.	24,501	63,407	(38,906)	(61.4)	31,412	57,156	(25,744)	(45.0)				
Compensation and benefits expense ratio (1)	63.1 %	60.7 %			66.5 %	64.3 %						
General and administrative expense ratio (2)	9.9 %	7.9 %			10.3 %	8.3 %						
Net income margin	14.3 %	16.3 %			10.0 %	8.5 %						
Earnings per share (3)	\$ 0.23				\$ 0.30							
Diluted earnings per share (3)	\$ 0.22				\$ 0.28							
Non-GAAP financial measures*												
Organic revenue growth rate	22.3 %	28.5 %			21.3 %	23.9 %						
Adjusted compensation and benefits expense	\$ 280,827	\$ 220,495	\$ 60,332	27.4 %	\$ 522,157	\$ 412,862	\$ 109,295	26.5 %				
Adjusted compensation and benefits expense ratio	57.2 %	56.5 %			59.5 %	58.9 %						
Adjusted general and administrative expense	\$ 44,390	\$ 29,030	\$ 15,360	52.9 %	\$ 82,690	\$ 53,717	\$ 28,973	53.9 %				
Adjusted general and administrative expense ratio	9.0 %	7.4 %			9.4 %	7.7 %						
Adjusted EBITDAC	\$ 166,075	\$ 140,487	\$ 25,588	18.2 %	\$ 273,335	\$ 234,891	\$ 38,444	16.4 %				
Adjusted EBITDAC margin	33.8 %	36.0 %			31.1 %	33.5 %						
Adjusted net income	\$ 106,449	\$ 92,275	\$ 14,174	15.4 %	\$ 171,214	\$ 149,405	\$ 21,809	14.6 %				
Adjusted net income margin	21.7 %	23.7 %			19.5 %	21.3 %						
Adjusted diluted earnings per share	\$ 0.39				\$ 0.63							

* For a definition and a reconciliation of Organic revenue growth rate, Adjusted compensation and benefits, Adjusted compensation and benefits expense ratio, Adjusted general and administrative expense, Adjusted general and administrative expense ratio, Adjusted EBITDAC, Adjusted EBITDAC margin, Adjusted net income, Adjusted net income margin, and Adjusted diluted earnings per share to the most directly comparable GAAP measure, see "Non-GAAP Financial Measures and Key Performance Indicators."

(1) Compensation and benefits ratio is defined as Compensation and benefits expense divided by Total revenue.

(2) General and administrative expense ratio is defined as General and administrative expense divided by Total revenue.

(3) See "Note 12, Earnings Per Share" of the unaudited quarterly consolidated financial statements for further discussion of how these metrics are calculated.

Comparison of the Three Months Ended June 30, 2022 and 2021

- Revenue increased \$101.3 million or 26.0% period-over-period to \$491.3 million.
- Compensation and benefits expense increased \$73.3 million, or 30.9% period-over-period, and the Compensation and benefits expense ratio increased 2.4%, from 60.7% to 63.1%.
- General and administrative expense increased \$17.8 million, or 58.0% period-over-period, and the General and administrative expense ratio increased 2.0%, from 7.9% to 9.9%.
- Total operating expenses increased \$88.0 million or 29.6% period-over-period to \$385.8 million.
- Operating income increased \$13.3 million period-over-period to \$105.5 million.
- Net income increased by \$6.7 million to period-over-period to \$70.1 million.
- Net income margin was 14.3% for the quarter, compared to 16.3% in the same quarter last year.
- Earnings per share and Diluted earnings per share were \$0.23 and \$0.22, respectively, for the three months ended June 30, 2022.
- Organic revenue growth rate for the quarter was 22.3%, compared to 28.5% in the same quarter last year—see "Non-GAAP Financial Measures and Key Performance Indicators" for further information.
- Adjusted compensation and benefits expense increased \$60.3 million, or 27.4% period-over-period, and the Adjusted compensation and benefits expense ratio increased 0.7% from 56.5% to 57.2%—see "Non-GAAP Financial Measures and Key Performance Indicators" for further information.
- Adjusted general and administrative expense increased \$15.4 million, or 52.9% period-over-period, and the Adjusted general and administrative expense ratio increased 1.6% from 7.4% to 9.0%—see "Non-GAAP Financial Measures and Key Performance Indicators" for further information.
- Adjusted EBITDAC increased 18.2% period-over-period to \$166.1 million—see "Non-GAAP Financial Measures and Key Performance Indicators" for further information.
- Adjusted EBITDAC margin decreased 2.2% period-over-period from 36.0% to 33.8%—see "Non-GAAP Financial Measures and Key Performance Indicators" for further information.
- Adjusted net income increased 15.4% period-over-period to \$106.4 million—see "Non-GAAP Financial Measures and Key Performance Indicators" for further information.
- Adjusted net income margin decreased 2.0% period-over-period from 23.7% to 21.7%—see "Non-GAAP Financial Measures and Key Performance Indicators" for further information.
- Adjusted diluted earnings per share was \$0.39 for the three months ended June 30, 2022—see "Non-GAAP Financial Measures and Key Performance Indicators" for further information.

Comparison of the Six Months Ended June 30, 2022 and 2021

- Revenue increased \$176.7 million or 25.2% period-over-period to \$878.2 million.
- Compensation and benefits expense increased \$133.0 million, or 29.5% period-over-period, and the Compensation and benefits expense ratio increased 2.2%, from 64.3% to 66.5%.
- General and administrative expense increased \$32.6 million, or 56.0% period-over-period, and the General and administrative expense ratio increased 2.0%, from 8.3% to 10.3%.
- Total operating expenses increased \$159.9 million or 28.1% period-over-period to \$729.3 million.
- Operating income increased \$16.8 million period-over-period to \$148.9 million.
- Net income increased by \$28.6 million to period-over-period to \$88.2 million.
- Net income margin was 10.0% for the period, compared to 8.5% in the same period last year.

- Earnings per share and Diluted earnings per share were \$0.30 and \$0.28, respectively, for the six months ended June 30, 2022.
- Organic revenue growth rate for the period was 21.3%, compared to 23.9% in the same period last year—see “*Non-GAAP Financial Measures and Key Performance Indicators*” for further information.
- Adjusted compensation and benefits expense increased \$109.3 million, or 26.5% period-over-period, and the Adjusted compensation and benefits expense ratio increased 0.6% from 59.5% to 58.9% – see “*Non-GAAP Financial Measures and Key Performance Indicators*” for further information.
- Adjusted general and administrative expense increased \$29.0 million, or 53.9% period-over-period, and the Adjusted general and administrative expense ratio increased 1.7% from 7.7% to 9.4% – see “*Non-GAAP Financial Measures and Key Performance Indicators*” for further information.
- Adjusted EBITDAC increased 16.4% period-over-period to \$273.3 million— see “*Non-GAAP Financial Measures and Key Performance Indicators*” for further information.
- Adjusted EBITDAC margin decreased 2.4% period-over-period from 33.5% to 31.1% — see “*Non-GAAP Financial Measures and Key Performance Indicators*” for further information.
- Adjusted net income increased 14.6% period-over-period to \$171.2 million — see “*Non-GAAP Financial Measures and Key Performance Indicators*” for further information.
- Adjusted net income margin decreased 1.8% period-over-period from 21.3% to 19.5% — see “*Non-GAAP Financial Measures and Key Performance Indicators*” for further information.
- Adjusted diluted earnings per share was \$0.63 for the six months ended June 30, 2022 —see “*Non-GAAP Financial Measures and Key Performance Indicators*” for further information.

Components of Results of Operations

Revenue

Net Commissions and Fees

Net commissions and fees are derived primarily by commissions from our three Specialties and are paid for our role as an intermediary in facilitating the placement of coverage in the insurance distribution chain. Net commissions and fees are generally calculated as a percentage of the total insurance policy premium placed, but we also receive supplemental commissions based on the volume placed or profitability of a book of business. We share a portion of these commissions with the retail insurance broker and recognize revenue on a net basis. Additionally, carriers may also pay us a contingent commission or volume-based commission, both of which represent forms of contingent or supplemental consideration associated with the placement of coverage and are based primarily on underwriting results, but may also contain considerations for only volume, growth and/or retention. Although we have compensation arrangements called contingent commissions in all three Specialties that are based in whole or in part on the underwriting performance, we do not take any direct insurance risk other than through our equity method investment in Geneva Re through Ryan Investment Holdings, LLC (“RIH”). We also receive loss mitigation and other fees, some of which are not dependent on the placement of a risk.

In our Wholesale Brokerage and Binding Authority Specialties, we generally work with retail insurance brokers to secure insurance coverage for their clients, who are the ultimate insured party. Our Wholesale Brokerage and Binding Authority Specialties generate revenues through commissions and fees, as well as through supplemental commissions, which may be contingent commissions or volume-based commissions, from clients. Commission rates and fees vary depending upon several factors, which may include the amount of premium, the type of insurance coverage provided, the particular services provided to a client or carrier, and the capacity in which we act. Payment terms are consistent with current industry practice.

In our Underwriting Management Specialty, we generally work with retail insurance brokers and often other wholesale brokers to secure insurance coverage for the ultimate insured party. Our Underwriting Management Specialty generates revenues through commissions and fees and through contingent commissions from clients. Commission rates and fees vary depending upon several factors including the premium, the type of coverage, and additional services provided to the client. Payment terms are consistent with current industry practice.

Fiduciary Investment Income

Fiduciary investment income consists of interest earned on insurance premiums and surplus lines taxes that are held in a fiduciary capacity, in cash, and cash equivalents, until disbursed.

Expenses

Compensation and Benefits

Compensation and benefits is our largest expense. It consists of (i) salary, incentives and benefits paid and payable to employees, and commissions paid and payable to our producers; and (ii) equity-based compensation associated with the grants of awards to employees executive officers and directors. We operate in competitive markets for human capital and we need to maintain competitive compensation levels in order to maintain and grow our talent base.

General and Administrative

General and administrative expense includes travel and entertainment expenses, office expenses, accounting, legal, insurance and other professional fees, and other costs associated with our operations. Our occupancy-related costs and professional services expenses, in particular, generally increase or decrease in relative proportion to the number of our employees and the overall size and scale of our business operations.

Amortization

Amortization expense consists primarily of amortization related to intangible assets we acquired in connection with our acquisitions. Intangible assets consist of customer relationships, trade names, and internally developed software.

Interest Expense, Net

Interest expense, net consists of interest payable on indebtedness, amortization of the Company's interest rate cap, imputed interest on finance leases and contingent consideration, and amortization of deferred debt issuance costs, offset by interest income on the Company's Cash & cash equivalents balances.

Other Non-Operating Loss (Income)

In 2022, Other non-operating loss (income) includes a change related to the TRA liability caused by an update in our blended state tax rates. In 2021, Other non-operating loss includes the change in fair value of the embedded derivatives on the Redeemable Preferred Units. This change in fair value is due to the occurrence of a Realization Event in the third quarter of 2021, which was defined as a Qualified Public Offering or a Sale Transaction in the Onex Purchase Agreement. It also includes the expense associated with the extinguishment of a portion of our deferred debt issuance costs on the term debt in the first quarter of 2021.

Income Tax Expense

Income tax expense includes tax on the Company's allocable share of any net taxable income from the LLC, from certain state and local jurisdictions that impose taxes on partnerships, as well as earnings from our foreign subsidiaries and C-Corporations subject to entity level taxation.

Non-Controlling Interest

For the periods prior to March 31, 2021, our financial statements include the non-controlling interest related to the net income attributable to Ryan Re. Post-IPO, we report a non-controlling interest based on the LLC Common Units not owned by the Company. Net income and Other comprehensive income (loss) is attributed to the non-controlling interests based on the weighted average LLC Common Units outstanding during the period and is presented on the Consolidated Statements of Income. Refer to *Note 10, Stockholders' and Members' Equity* of the unaudited quarterly consolidated financial statements for more information.

Results of Operations

Below is a summary table of the financial results and Non-GAAP measures that we find relevant to our business operations:

<i>(in thousands, except percentages and per share data)</i>	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2022	2021	\$	%	2022	2021	\$	%
Revenue								
Net commissions and fees	\$ 490,227	\$ 389,846	\$ 100,381	25.7 %	\$ 876,908	\$ 701,190	\$ 175,718	25.1 %
Fiduciary investment income	1,065	166	899	541.6	1,274	280	994	355.0
Total revenue	\$ 491,292	\$ 390,012	\$ 101,280	26.0 %	\$ 878,182	\$ 701,470	\$ 176,712	25.2 %
Expenses								
Compensation and benefits	310,058	236,801	73,257	30.9	584,331	451,287	133,044	29.5
General and administrative	48,495	30,685	17,810	58.0	90,860	58,230	32,630	56.0
Amortization	26,233	27,319	(1,086)	(4.0)	52,896	55,113	(2,217)	(4.0)
Depreciation	1,229	1,222	7	0.6	2,440	2,422	18	0.7
Change in contingent consideration	(251)	1,723	(1,974)	(114.6)	(1,260)	2,313	(3,573)	-154.5
Total operating expenses	\$ 385,764	\$ 297,750	\$ 88,014	29.6 %	\$ 729,267	\$ 569,365	\$ 159,902	28.1 %
Operating income	\$ 105,528	\$ 92,262	\$ 13,266	14.4 %	\$ 148,915	\$ 132,105	\$ 16,810	12.7 %
Interest expense, net	24,846	18,986	5,860	30.9	46,598	39,031	7,567	19.4
(Income) loss from equity method investment in related party	16	(353)	369	(104.5)	558	(434)	992	(228.6)
Other non-operating loss (income)	(622)	7,890	(8,512)	(107.9)	6,898	29,336	(22,438)	(76.5)
Income before income taxes	\$ 81,288	\$ 65,739	\$ 15,549	23.7 %	\$ 94,861	\$ 64,172	\$ 30,689	47.8 %
Income tax expense	11,168	2,332	8,836	378.9	6,665	4,566	2,099	46.0
Net income	\$ 70,120	\$ 63,407	\$ 6,713	10.6 %	\$ 88,196	\$ 59,606	\$ 28,590	48.0 %
GAAP financial measures								
Revenue	\$ 491,292	\$ 390,012	\$ 101,280	26.0 %	\$ 878,182	\$ 701,470	\$ 176,712	25.2 %
Compensation and benefits	310,058	236,801	73,257	30.9	584,331	451,287	133,044	29.5
General and administrative	48,495	30,685	17,810	58.0	90,860	58,230	32,630	56.0
Net income	\$ 70,120	\$ 63,407	\$ 6,713	10.6 %	\$ 88,196	\$ 59,606	\$ 28,590	48.0 %
Compensation and benefits expense ratio	63.1 %	60.7 %			66.5 %	64.3 %		
General and administrative expense ratio	9.9 %	7.9 %			10.3 %	8.3 %		
Net income margin	14.3 %	16.3 %			10.0 %	8.5 %		
Earnings per share	\$ 0.23				\$ 0.30			
Diluted earnings per share	\$ 0.22				\$ 0.28			

<i>(in thousands, except percentages and per share data)</i>	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2022	2021	\$	%	2022	2021	\$	%
Non-GAAP financial measures*								
Organic revenue growth rate	22.3 %	28.5 %			21.3 %	23.9 %		
Adjusted compensation and benefits expense	\$ 280,827	\$ 220,495	\$ 60,332	27.4 %	\$ 522,157	\$ 412,862	\$ 109,295	26.5 %
Adjusted compensation and benefits expense ratio	57.2 %	56.5 %			59.5 %	58.9 %		
Adjusted general and administrative expense	\$ 44,390	\$ 29,030	\$ 15,360	52.9 %	\$ 82,690	\$ 53,717	\$ 28,973	53.9 %
Adjusted general and administrative expense ratio	9.0 %	7.4 %			9.4 %	7.7 %		
Adjusted EBITDAC	\$ 166,075	\$ 140,487	\$ 25,588	18.2 %	\$ 273,335	\$ 234,891	\$ 38,444	16.4 %
Adjusted EBITDAC margin	33.8 %	36.0 %			31.1 %	33.5 %		
Adjusted net income	\$ 106,449	\$ 92,275	\$ 14,174	15.4 %	\$ 171,214	\$ 149,405	\$ 21,809	14.6 %
Adjusted net income margin	21.7 %	23.7 %			19.5 %	21.3 %		
Adjusted diluted earnings per share	\$ 0.39				\$ 0.63			

* These measures are Non-GAAP. Please refer to the section entitled "Non-GAAP Financial Measures and Key Performance Indicators" below for definitions and reconciliations to the most directly comparable GAAP measure.

Comparison of the Three Months Ended June 30, 2022 and 2021

Revenue

Net Commissions and Fees

Net commissions and fees increased by \$100.4 million or 25.7% from \$389.8 million to \$490.2 million for the three months ended June 30, 2022 as compared to the same period in the prior year. The two main drivers of the revenue increase are 22.3% of organic revenue growth and 2.8% growth from the Keystone and Crouse acquisitions.

<i>(in thousands, except percentages)</i>	Three Months Ended June 30,					
	2022	% of total	2021	% of total	Change	
Wholesale Brokerage	\$ 329,225	67.2 %	\$ 255,959	65.7 %	\$ 73,266	28.6 %
Binding Authorities	59,751	12.2	53,596	13.7	6,155	11.5
Underwriting Management	101,251	20.6	80,291	20.6	20,960	26.1
Total net commissions and fees	\$ 490,227		\$ 389,846		\$ 100,381	25.7 %

Wholesale Brokerage net commissions and fees increased by \$73.3 million or 28.6% period-over-period, primarily due to strong organic growth within this specialty for the quarter as well as contributions from the Crouse acquisition.

Binding Authority net commissions and fees increased by \$6.2 million or 11.5% period-over-period, primarily due to strong organic growth within the specialty for the quarter as well as contributions from the Crouse acquisition.

Underwriting Management net commissions and fees increased by \$21.0 million or 26.1% period-over-period, primarily due to strong organic growth within the specialty for the quarter as well as contributions from the Keystone acquisition.

The following table sets forth our revenue by type of commission and fees:

<i>(in thousands, except percentages)</i>	Three Months Ended June 30,					
	2022	% of total	2021	% of total	Change	
Net commissions and policy fees	\$ 468,413	95.6 %	\$ 378,120	97.0 %	\$ 90,293	23.9 %
Supplemental and contingent commissions	13,953	2.8	6,146	1.6	7,807	127.0
Loss mitigation and other fees	7,861	1.6	5,580	1.4	2,281	40.9
Total net commissions and fees	\$ 490,227		\$ 389,846		\$ 100,381	25.7 %

Net commissions and policy fees grew 23.9%, slightly lower than the overall net commissions and fee revenue growth of 25.7% for the three months ended June 30, 2022 as compared to the same period in the prior year. The main drivers of this growth continue to be the acquisition of new business and expansion of ongoing client relationships in response to the increasing demand for new, complex E&S products as well as the inflow of risks from the admitted market into the E&S market. In aggregate, we experienced stable commission rates period over period.

Supplemental and contingent commissions increased 127.0% period-over-period driven by the performance of risks placed on eligible business earning profit-based or volume-based commissions.

Loss mitigation and other fees grew 40.9% period-over-period primarily due to captive management and other risk management service fees from the placement of alternative risk insurance solutions in 2022.

Expenses

Compensation and Benefits

Compensation and benefits expense increased by \$73.3 million or 30.9% from \$236.8 million to \$310.1 million for the three months ended June 30, 2022 compared to the same period in 2021. The following were the principal drivers of this increase:

- Commissions increased \$33.9 million or 28.3% period-over-period, driven by the 25.7% increase in *Net Commissions and Fees* discussed above;

- A \$14.1 million increase from IPO related compensation expense, which reflects charges associated with both the revaluation of existing equity grants at the time of our IPO as well as expense related to the new awards issued in connection with the IPO. The expense associated with both the revaluation of existing awards as well as the issuance of new equity awards both directly relate to the Organizational Transactions and IPO, however amounts related to each will continue to be expensed over future periods as the underlying awards vest;

- The remaining \$25.3 million period-over-period increase was driven by (i) the addition of 315 employees compared to the same period prior year, and (ii) growth in the business. Overall headcount increased to 3,690 full-time employees as of June 30, 2022 from 3,375 as of June 30, 2021.

The increase in Compensation and benefits expense was partially offset by \$6.1 million of net savings related to the Restructuring Plan, which represents approximately \$6.6 million of work-force related savings less one-time work-force related expense of \$0.5 million for the three months ended June 30, 2022 (see “*Significant Events and Transactions—2020 Restructuring Plan*” for further information).

The net impact of revenue growth and the factors above resulted in a Compensation and benefits expense ratio increase of 2.4% from 60.7% to 63.1% period-over-period.

We expect to continue to experience a general rise in commissions, salaries, incentives and benefits expense commensurate with our expected growth in business volume, revenue, and headcount.

General and Administrative

General and administrative expense increased by \$17.8 million or 58.0% from \$30.7 million to \$48.5 million for the three months ended June 30, 2022 as compared to the same period in the prior year. A main driver of this increase was \$7.8 million of increased travel and entertainment expense as travel restrictions associated with the pandemic began to lift compared to the same period in 2021. Insurance expense contributed \$2.4 million to the period-over-period increase due to increased costs associated with being a public company. Lastly, we recognized an additional \$2.0 million of Restructuring costs within General and administrative expense for the three months ended June 30, 2022 compared to the same period in the prior year. The remaining increase of \$5.6 million was driven by growth in the business. Such expenses incurred to accommodate both organic and inorganic revenue growth include IT, occupancy, and professional services. The net impact of revenue growth and the factors listed above resulted in General and administrative expense ratio increase of 2.0% from 7.9% to 9.9% period-over-period.

Amortization

Amortization expense decreased by \$1.1 million or (4.0)% from \$27.3 million to \$26.2 million for the three months ended June 30, 2022 compared to the same period in the prior year. The main driver for the decrease is certain previously acquired intangible assets became fully amortized. Our intangible assets decreased by \$28.1 million when comparing the balance as of June 30, 2022 to the balance as of June 30, 2021.

Interest Expense, Net

Interest expense, net increased \$5.9 million or 30.9% from \$19.0 million to \$24.8 million for the three months ended June 30, 2022 compared to the same period in the prior year. The main driver of the change in Interest expense, net for the three months ended June 30, 2022 was the issuance of \$400.0 million of senior secured notes on February 3, 2022. On April 7, 2022 the Company entered into an interest rate cap agreement to manage its exposure to interest rate fluctuations related to the Company’s Term Loan for an upfront cost of \$25.5 million. The interest rate cap has a \$1,000.0 million notional amount, 2.75% strike, and terminates on December 31, 2025. For the twelve months ended December 31, 2022 we expect to incur approximately \$4.0 million of interest expense associated with the upfront cost amortization of the cap. For the twelve months ended December 31, 2023, 2024, and 2025 we expect to incur approximately \$7.0 million of interest expense related to the cap.

Other Non-Operating Loss (Income)

Other non-operating loss (income) decreased by \$8.5 million to income of \$0.6 million for the three months ended June 30, 2022 as compared to a loss of \$7.9 million in the same period in the prior year. For the three months ended June 30, 2022 Other non-operating loss (income) includes a \$(0.5) million change in the TRA liability caused by an update in our blended state tax rates. For the three months ended June 30, 2021 Other non-operating loss includes a \$8.0 million change in the fair value of the embedded derivatives of our Redeemable Preferred Units.

Income Before Income Taxes

Due to the factors above, Income before income taxes increased \$15.5 million from \$65.7 million to \$81.3 million for the three months ended June 30, 2022 compared to the same period in the prior year.

Income Tax Expense

Income tax expense increased \$8.8 million from \$2.3 million to \$11.2 million for the three months ended June 30, 2022 as compared to the same period in the prior year due to an increase in the Company's allocable share of net taxable income from the LLC for the three months ended June 30, 2022. The Company did not have net taxable income from the LLC for the three months ended June 30, 2021 as the Company was formed for the purposes of the IPO, which occurred in the third quarter of 2021.

Net Income

Net income increased \$6.7 million from \$63.4 million to \$70.1 million for the three months ended June 30, 2022 compared to the same period in the prior year as a result of the factors described above.

Comparison of the Six Months Ended June 30, 2022 and 2021

Revenue

Net Commissions and Fees

Net commissions and fees increased by \$175.7 million or 25.1% from \$701.2 million to \$876.9 million for the six months ended June 30, 2022 as compared to the same period in the prior year. The two main drivers of the revenue increase are 21.3% of organic revenue growth and 3.1% growth from the Keystone and Crouse acquisitions.

<i>(in thousands, except percentages)</i>	Six Months Ended June 30,					
	2022	% of total	2021	% of total	Change	
Wholesale Brokerage	\$ 574,051	65.5 %	\$ 447,083	63.8 %	\$ 126,968	28.4 %
Binding Authorities	122,744	14.0	108,641	15.5	14,103	13.0
Underwriting Management	180,113	20.5	145,466	20.7	34,647	23.8
Total Net commissions and fees	\$ 876,908		\$ 701,190		\$ 175,718	25.1 %

Wholesale Brokerage net commissions and fees increased by \$127.0 million or 28.4% period-over-period, primarily due to strong organic growth within this specialty for the quarter as well as contributions from the Crouse acquisition.

Binding Authority net commissions and fees increased by \$14.1 million or 13.0% period-over-period, primarily due to strong organic growth within the specialty for the quarter as well as contributions from the Crouse acquisition.

Underwriting Management net commissions and fees increased by \$34.6 million or 23.8% period-over-period, primarily due to strong organic growth within the specialty for the quarter as well as contributions from the Keystone acquisition.

The following table sets forth our revenue by type of commission and fees:

<i>(in thousands, except percentages)</i>	Six Months Ended June 30,					
	2022	% of total	2021	% of total	Change	
Net commissions and policy fees	\$ 827,479	94.4 %	\$ 668,661	95.3 %	\$ 158,818	23.8 %
Supplemental and contingent commissions	34,051	3.9	21,536	3.1	12,515	58.1
Loss mitigation and other fees	15,379	1.8	10,993	1.6	4,386	39.9
Total net commissions and fees	\$ 876,908		\$ 701,190		\$ 175,718	25.1 %

Net commissions and policy fees grew 23.8%, slightly lower than the overall net commissions and fee revenue growth of 25.1% for the six months ended June 30, 2022 as compared to the same period in the prior year. The main drivers of this growth continue to be the acquisition of new business and expansion of ongoing client relationships in response to the increasing demand for new, complex E&S products as well as the inflow of risks from the admitted market into the E&S market. In aggregate, we experienced stable commission rates period over period.

Supplemental and contingent commissions increased 58.1% period-over-period driven by the performance of risks placed on eligible business earning profit-based or volume-based commissions.

Loss mitigation and other fees grew 39.9% period-over-period primarily due to captive management and other risk management service fees from the placement of alternative risk insurance solutions in 2022.

Expenses

Compensation and Benefits

Compensation and benefits expense increased by \$133.0 million or 29.5% from \$451.3 million to \$584.3 million for the six months ended June 30, 2022 compared to the same period in 2021. The following were the principal drivers of this increase:

- Commissions increased \$58.3 million or 27.5% period-over-period, driven by the 25.1% increase in *Net Commissions and Fees* discussed above;
- A \$30.5 million increase from IPO related compensation expense, which reflects charges associated with both the revaluation of existing equity grants at the time of our IPO as well as expense related to the new awards issued in connection with the IPO. The expense associated with both the revaluation of existing awards as well as the issuance of new equity awards both directly relate to the Organizational Transactions and IPO, however amounts related to each will continue to be expensed over future periods as the underlying awards vest;
- The remaining \$44.2 million period-over-period increase was driven by (i) the addition of 315 employees compared to the same period prior year, and (ii) growth in the business. Overall headcount increased to 3,690 full-time employees as of June 30, 2022 from 3,375 as of June 30, 2021.

The increase in Compensation and benefits expense was partially offset by \$12.3 million of net savings related to the Restructuring Plan, which represents approximately \$13.0 million of work-force related savings less one-time work-force related expense of \$0.7 million for the six months ended June 30, 2022 (see “*Significant Events and Transactions—2020 Restructuring Plan*” for further information).

The net impact of revenue growth and the factors above resulted in a Compensation and benefits expense ratio increase of 2.2% from 64.3% to 66.5% period-over-period.

We expect to continue to experience a general rise in commissions, salaries, incentives and benefits expense commensurate with our expected growth in business volume, revenue, and headcount.

General and Administrative

General and administrative expense increased by \$32.6 million or 56.0% from \$58.2 million to \$90.9 million for the six months ended June 30, 2022 as compared to the same period in the prior year. A main driver of this increase was \$13.4 million of increased travel and entertainment expense as travel restrictions associated with the pandemic began to lift compared to the same period in 2021. Insurance expense contributed \$4.6 million to the period-over-period increase due to increased costs associated with being a public company. Lastly, we recognized an additional \$5.0 million of Restructuring costs within General and administrative expense for the six months ended June 30, 2022 compared to the same period in the prior year. The remaining increase of \$9.6 million was driven by growth in the business. Such expenses incurred to accommodate both organic and inorganic revenue growth include IT, occupancy, and professional services. The net impact of revenue growth and the factors listed above resulted in General and administrative expense ratio increase of 2.0% from 8.3% to 10.3% period-over-period.

Amortization

Amortization expense decreased by \$2.2 million or (4.0)% from \$55.1 million to \$52.9 million for the six months ended June 30, 2022 compared to the same period in the prior year. The main driver for the decrease is certain previously acquired intangible assets became

fully amortized. Our intangible assets decreased by \$28.1 million when comparing the balance as of June 30, 2022 to the balance as of June 30, 2021.

Interest Expense, Net

Interest expense, net increased \$7.6 million or 19.4% from \$39.0 million to \$46.6 million for the six months ended June 30, 2022 compared to the same period in the prior year. The main driver of the change in Interest expense, net for the six months ended June 30, 2022 was the issuance of \$400.0 million of senior secured notes on February 3, 2022. On April 7, 2022 the Company entered into an interest rate cap agreement to manage its exposure to interest rate fluctuations related to the Company's Term Loan for an upfront cost of \$25.5 million. The interest rate cap has a \$1,000.0 million notional amount, 2.75% strike, and terminates on December 31, 2025. For the twelve months ended December 31, 2022 we expect to incur approximately \$4.6 million of interest expense associated with the upfront cost amortization of the cap. For the twelve months ended December 31, 2023, 2024, and 2025 we expect to incur approximately \$7.0 million of interest expense related to the cap.

Other Non-Operating Loss (Income)

Other non-operating loss (income) decreased by \$22.4 million to \$6.9 million for the six months ended June 30, 2022 as compared to a loss of \$29.3 million in the same period in the prior year. For the six months ended June 30, 2022 Other non-operating loss includes a \$7.2 million charge related to the change in the TRA liability caused by a change in our blended state tax rates. For the six months ended June 30, 2021 Other non-operating loss includes a \$20.6 million change in the fair value of the embedded derivatives of our Redeemable Preferred Units as well as \$8.6 million of debt issuance costs written off due to the extinguishment of a portion of the term debt in connection with a repricing.

Income Before Income Taxes

Due to the factors above, Income before income taxes increased \$30.7 million from \$64.2 million to \$94.9 million for the six months ended June 30, 2022 compared to the same period in the prior year.

Income Tax Expense

Income tax expense increased \$2.1 million from \$4.6 million to \$6.7 million for the six months ended June 30, 2022 as compared to the same period in the prior year due to an increase in the Company's allocable share of net taxable income from the LLC for the six months ended June 30, 2022, offset by an increase in the Company's state tax rate resulting in a tax benefit recognized related to the increase in our Deferred tax assets in the first quarter 2022. The Company did not have net taxable income from the LLC for the six months ended June 30, 2021 as the Company was formed for the purposes of the IPO, which occurred in the third quarter of 2021.

Net Income

Net income increased \$28.6 million from \$59.6 million to \$88.2 million for the six months ended June 30, 2022 compared to the same period in the prior year as a result of the factors described above.

Non-GAAP Financial Measures and Key Performance Indicators

In assessing the performance of our business, we use non-GAAP financial measures that are derived from our consolidated financial information, but which are not presented in our consolidated financial statements prepared in accordance with GAAP. We consider these non-GAAP financial measures to be useful metrics for management and investors to facilitate operating performance comparisons from period to period by excluding potential differences caused by variations in capital structures, tax positions, depreciation, amortization and certain other items that we believe are not representative of our core business. We use the following non-GAAP measures for business planning purposes, in measuring our performance relative to that of our competitors, to help investors to understand the nature of our growth, and to enable investors to evaluate the run-rate performance of the Company. Non-GAAP financial measures should be viewed as supplementing, and not as an alternative or substitute for, the consolidated financial statements prepared and presented in accordance with GAAP. The footnotes to the reconciliation tables below should be read in conjunction with the unaudited consolidated quarterly financial statements. Industry peers may provide similar supplemental information but may not define similarly-named metrics in the same way we do and may not make identical adjustments.

Organic Revenue Growth Rate

Organic revenue growth rate represents the percentage change in revenue, as compared to the same period for the year prior, adjusted for revenue attributable to recent acquisitions during the first 12 months of Ryan Specialty's ownership, and other adjustments such as contingent commissions, fiduciary investment income, and the impact of changes in foreign exchange rates.

A reconciliation of Organic revenue growth rate to Total revenue growth rate, the most directly comparable GAAP measure, for each of the periods indicated is as follows (in percentages):

	Three Months Ended June 30,	
	2022	2021
Total revenue growth rate (GAAP) (1)	26.0 %	58.3 %
Less: Mergers and acquisitions (2)	(2.8)	(30.3)
Change in other (3)	(0.9)	0.5
Organic revenue growth rate (Non-GAAP)	22.3 %	28.5 %

(1) June 30, 2022 revenue of \$491.3 million less June 30, 2021 revenue of \$390.0 million is a \$101.3 million period-over-period change. The change, \$101.3 million, divided by the June 30, 2021 revenue of \$390.0 million is a total revenue change of 26.0%. June 30, 2021 revenue of \$390.0 million less June 30, 2020 revenue of \$246.3 million is a \$143.7 million period-over-period change. The change, \$143.7 million, divided by the June 30, 2020 revenue of \$246.3 million is a total revenue change of 58.3%. See “Comparison of the Three Months Ended June 30, 2022 and 2021” for further details.

(2) The acquisitions adjustment excludes net commission and fees revenue generated during the first 12 months following an acquisition. The total adjustment for the three months ended June 30, 2022 and three months ended June 30, 2021 was \$11.0 million and \$74.7 million, respectively.

(3) The other adjustments exclude the period-over-period change in contingent commissions, fiduciary investment income, and foreign exchange rates. The total adjustment for the three months ended June 30, 2022 and three months ended June 30, 2021 was \$(3.7) million and \$1.3 million, respectively.

	Six Months Ended June 30,	
	2022	2021
Total revenue growth rate (GAAP) (1)	25.2 %	54.3 %
Less: Mergers and acquisitions (2)	(3.1)	(30.8)
Change in other (3)	(0.8)	0.4
Organic revenue growth rate (Non-GAAP)	21.3 %	23.9 %

(1) June 30, 2022 revenue of \$878.2 million less June 30, 2021 revenue of \$701.5 million is a \$176.7 million period-over-period change. The change, \$176.7 million, divided by the June 30, 2021 revenue of \$701.5 million is a total revenue change of 25.2%. June 30, 2021 revenue of \$701.5 million less June 30, 2020 revenue of \$454.5 million is a \$247.0 million period-over-period change. The change, \$247.0 million, divided by the June 30, 2020 revenue of \$454.5 million is a total revenue change of 54.3%. See “Comparison of the Six Months Ended June 30, 2022 and 2021” for further details.

(2) The acquisitions adjustment excludes net commission and fees revenue generated during the first 12 months following an acquisition. The total adjustment for the six months ended June 30, 2022 and six months ended June 30, 2021 was \$21.6 million and \$140.0 million, respectively.

(3) The other adjustments exclude the period-over-period change in contingent commissions, fiduciary investment income, and foreign exchange rates. The total adjustment for the six months ended June 30, 2022 and six months ended June 30, 2021 was \$(6.0) million and \$1.5 million, respectively.

Adjusted Compensation and Benefits Expense and Adjusted Compensation and Benefits Expense Ratio

We define Adjusted compensation and benefits expense as Compensation and benefits expense adjusted to reflect items such as (i) equity-based compensation, (ii) acquisition and restructuring related compensation expense, and (iii) other exceptional or non-recurring items, as applicable. The most comparable GAAP financial metric is Compensation and benefits expense. Adjusted compensation and benefits expense ratio is defined as Adjusted compensation and benefits expense as a percentage of Total revenue. The most comparable GAAP financial metric is Compensation and benefits expense ratio.

A reconciliation of Adjusted compensation and benefits expense and Adjusted compensation and benefits expense ratio to Compensation and benefits expense and Compensation and benefits expense ratio, the most directly comparable GAAP measures, for each of the periods indicated, is as follows:

<i>(in thousands, except percentages)</i>	Three Months Ended June 30,	
	2022	2021
Total revenue	\$ 491,292	\$ 390,012
Compensation and benefits expense	\$ 310,058	\$ 236,801
Acquisition-related expense	(43)	—
Acquisition related long-term incentive compensation	(7,101)	(9,082)
Restructuring and related expense	(547)	(2,162)
Amortization and expense related to discontinued prepaid incentives	(1,760)	(1,604)
Equity-based compensation	(5,676)	(3,458)
Initial public offering related expense	(14,104)	—
Adjusted compensation and benefits expense (1)	<u>\$ 280,827</u>	<u>\$ 220,495</u>
Compensation and benefits expense ratio	63.1 %	60.7 %
Adjusted compensation and benefits expense ratio	57.2 %	56.5 %

(1) Adjustments to Compensation and benefits expense are described in the footnotes of the reconciliation of Adjusted EBITDAC to Net income in “Adjusted EBITDAC and Adjusted EBITDAC Margin”.

<i>(in thousands, except percentages)</i>	Six Months Ended June 30,	
	2022	2021
Total revenue	\$ 878,182	\$ 701,470
Compensation and benefits expense	\$ 584,331	\$ 451,287
Acquisition-related expense	(101)	—
Acquisition related long-term incentive compensation	(14,798)	(18,504)
Restructuring and related expense	(705)	(8,351)
Amortization and expense related to discontinued prepaid incentives	(3,542)	(3,682)
Equity-based compensation	(12,480)	(7,888)
Initial public offering related expense	(30,548)	—
Adjusted compensation and benefits expense (1)	<u>\$ 522,157</u>	<u>\$ 412,862</u>
Compensation and benefits expense ratio	66.5 %	64.3 %
Adjusted compensation and benefits expense ratio	59.5 %	58.9 %

(1) Adjustments to Compensation and benefits expense are described in the footnotes of the reconciliation of Adjusted EBITDAC to Net income in “Adjusted EBITDAC and Adjusted EBITDAC Margin”.

Adjusted General and Administrative Expense and Adjusted General and Administrative Expense Ratio

We define Adjusted general and administrative expense as General and administrative expense adjusted to reflect items such as (i) acquisition and restructuring general and administrative related expense, and (ii) other exceptional or non-recurring items, as applicable. The most comparable GAAP financial metric is General and administrative expense. Adjusted general and administrative expense ratio is defined as Adjusted general and administrative expense as a percentage of Total revenue. The most comparable GAAP financial metric is General and administrative expense ratio.

A reconciliation of Adjusted general and administrative expense and Adjusted general and administrative expense ratio to General and administrative expense and General and administrative expense ratio, the most directly comparable GAAP measures, for each of the periods indicated is as follows:

	Three Months Ended June 30,	
	2022	2021
<i>(in thousands, except percentages)</i>		
Total revenue	\$ 491,292	\$ 390,012
General and administrative expense	\$ 48,495	\$ 30,685
Acquisition-related expense	(1,600)	(308)
Restructuring and related expense	(2,027)	(1,012)
Other non-recurring expense	—	(19)
Initial public offering related expense	(478)	(316)
Adjusted general and administrative expense (1)	<u>\$ 44,390</u>	<u>\$ 29,030</u>
General and administrative expense ratio	9.9 %	7.9 %
Adjusted general and administrative expense ratio	9.0 %	7.4 %

(1) Adjustments to General and administrative expense are described in the footnotes of the reconciliation of Adjusted EBITDAC to Net income in “Adjusted EBITDAC and Adjusted EBITDAC Margin”.

	Six Months Ended June 30,	
	2022	2021
<i>(in thousands, except percentages)</i>		
Total revenue	\$ 878,182	\$ 701,470
General and administrative expense	\$ 90,860	\$ 58,230
Acquisition-related expense	(2,051)	(2,022)
Restructuring and related expense	(4,993)	(1,821)
Other non-recurring expense	—	(354)
Initial public offering related expense	(1,126)	(316)
Adjusted general and administrative expense (1)	<u>\$ 82,690</u>	<u>\$ 53,717</u>
General and administrative expense ratio	10.3 %	8.3 %
Adjusted general and administrative expense ratio	9.4 %	7.7 %

(1) Adjustments to General and administrative expense are described in the footnotes of the reconciliation of Adjusted EBITDAC to Net income in “Adjusted EBITDAC and Adjusted EBITDAC Margin”.

Adjusted EBITDAC and Adjusted EBITDAC Margin

We define Adjusted EBITDAC as Net income before interest expense, net, income tax expense, depreciation, amortization, and change in contingent consideration, adjusted to reflect items such as (i) equity-based compensation, (ii) acquisition and restructuring related expenses, and (iii) other exceptional or non-recurring items, as applicable. Total revenue less Adjusted compensation and benefits expense and Adjusted general and administrative expense is equivalent to Adjusted EBITDAC. The most directly comparable GAAP financial metric is Net income. Adjusted EBITDAC margin is defined as Adjusted EBITDAC as a percentage of Total revenue. The most comparable GAAP financial metric is Net income margin. These measures start with consolidated Net income and do not deduct earnings related to the non-controlling interest in Ryan Re for the period of time prior to March 31, 2021 when we did not own 100% of the business or the non-controlling interest attributed to the retained ownership of the LLC.

A reconciliation of Adjusted EBITDAC and Adjusted EBITDAC margin to Net income and Net income margin, the most directly comparable GAAP measures, for each of the periods indicated is as follows:

	Three Months Ended June 30,	
	2022	2021
<i>(in thousands, except percentages)</i>		
Total revenue	\$ 491,292	\$ 390,012
Net income	\$ 70,120	\$ 63,407
Interest expense, net	24,846	18,986
Income tax expense	11,168	2,332
Depreciation	1,229	1,222
Amortization	26,233	27,319
Change in contingent consideration	(251)	1,723
EBITDAC	\$ 133,345	\$ 114,989
Acquisition-related expense (1)	1,643	308
Acquisition related long-term incentive compensation (2)	7,101	9,082
Restructuring and related expense (3)	2,574	3,174
Amortization and expense related to discontinued prepaid incentives (4)	1,760	1,604
Other non-operating loss (income) (5)	(622)	7,890
Equity-based compensation (6)	5,676	3,458
Other non-recurring expense (7)	—	19
IPO related expenses (8)	14,582	316
(Income) from equity method investments in related party	16	(353)
Adjusted EBITDAC (9)	\$ 166,075	\$ 140,487
Net income margin (10)	14.3 %	16.3 %
Adjusted EBITDAC margin	33.8 %	36.0 %

(1) Acquisition-related expense includes diligence, transaction-related, and integration costs. Compensation and benefits expenses were de minimis for the three months ended June 30, 2022, while General and administrative expenses contributed to \$1.6 million and \$0.3 million of the acquisition-related expense for the three months ended June 30, 2022 and 2021, respectively.

(2) Acquisition related long-term incentive compensation arises from long-term incentive plans associated with acquisitions.

(3) Restructuring and related expense consists of compensation and benefits of \$0.5 million and \$2.2 million for the three months ended June 30, 2022 and 2021, respectively, and General and administrative costs including occupancy and professional services fees of \$2.0 million and \$1.0 million for the three months ended June 30, 2022 and 2021, respectively, related to the Restructuring Plan. The compensation and benefits expense includes severance as well as employment costs related to services rendered between the notification and termination dates. See “*Note 5, Restructuring*” of the unaudited quarterly consolidated financial statements for further discussion. The remaining costs that preceded the Restructuring Plan were associated with organizational design, other severance, and non-recurring lease costs.

(4) Amortization and expense related to discontinued prepaid incentive programs – see “*Note 14, Employee Benefit Plans, Prepaid and Long-Term Incentives*” of the unaudited quarterly consolidated financial statements for further discussion.

(5) For the three months ended June 30, 2022, Other non-operating loss (income) includes a \$(0.5) million change in the TRA liability caused by an update in our blended state tax rates. For the three months ended June 30, 2021, Other non-operating loss (income) includes the change in fair value of the embedded derivatives on the Redeemable Preferred Units. This change in fair value of \$8.0 million was due to the occurrence of a Realization Event in the third quarter of 2021, which is defined in the Onex Purchase Agreement as a Qualified Public Offering or a Sale Transaction.

(6) Equity-based compensation reflects non-cash equity-based expense.

(7) Other non-recurring expense includes one-time impacts that do not reflect the core performance of the business, including de minimis General and administrative expenses for the three months ended June 30, 2021. Other non-recurring items include one-time professional services costs associated with term debt repricing, one-time non-income tax charges, and tax and accounting consultancy costs associated with potential structure changes.

(8) IPO related expenses include \$0.5 million and \$0.3 million of General and administrative expense associated with the preparations for Sarbanes-Oxley compliance, tax, and accounting advisory services on IPO-related structure changes for the three months ended June 30, 2022 and 2021, respectively, and Compensation-related expense of \$14.1 million for the three

months ended June 30, 2022 primarily related to the revaluation of existing equity awards at IPO as well as expense for new awards issued at IPO.

(9) Consolidated Adjusted EBITDAC does not reflect a deduction for the Adjusted EBITDAC associated with the non-controlling interest in Ryan Re for the period of time prior to March 31, 2021 when we did not own 100% of Ryan Re.

(10) Net income margin is Net income as a percentage of Total revenue.

<i>(in thousands, except percentages)</i>	Six Months Ended June 30,	
	2022	2021
Total revenue	\$ 878,182	\$ 701,470
Net income	\$ 88,196	\$ 59,606
Interest expense, net	46,598	39,031
Income tax expense	6,665	4,566
Depreciation	2,440	2,422
Amortization	52,896	55,113
Change in contingent consideration	(1,260)	2,313
EBITDAC	\$ 195,535	\$ 163,051
Acquisition-related expense (1)	2,152	2,022
Acquisition related long-term incentive compensation (2)	14,798	18,504
Restructuring and related expense (3)	5,698	10,172
Amortization and expense related to discontinued prepaid incentives (4)	3,542	3,682
Other non-operating loss (income) (5)	6,898	29,336
Equity-based compensation (6)	12,480	7,888
Other non-recurring expense (7)	—	354
IPO related expenses (8)	31,674	316
(Income) from equity method investments in related party	558	(434)
Adjusted EBITDAC (9)	\$ 273,335	\$ 234,891
Net income margin (10)	10.0 %	8.5 %
Adjusted EBITDAC margin	31.1 %	33.5 %

(1) Acquisition-related expense includes diligence, transaction-related, and integration costs. Compensation and benefits expenses were \$0.1 million for the six months ended June 30, 2022, while General and administrative expenses contributed to \$2.1 million and \$2.0 million of the acquisition-related expense for the six months ended June 30, 2022 and 2021, respectively.

(2) Acquisition related long-term incentive compensation arises from long-term incentive plans associated with acquisitions.

(3) Restructuring and related expense consists of compensation and benefits of \$0.7 million and \$8.4 million for the six months ended June 30, 2022 and 2021, respectively, and General and administrative costs including occupancy and professional services fees of \$5.0 million and \$1.8 million for the six months ended June 30, 2022 and 2021, respectively, related to the Restructuring Plan. The compensation and benefits expense includes severance as well as employment costs related to services rendered between the notification and termination dates. See “*Note 5, Restructuring*” of the unaudited quarterly consolidated financial statements for further discussion. The remaining costs that preceded the Restructuring Plan were associated with organizational design, other severance, and non-recurring lease costs.

(4) Amortization and expense related to discontinued prepaid incentive programs – see “*Note 14, Employee Benefit Plans, Prepaid and Long-Term Incentives*” of the unaudited quarterly consolidated financial statements for further discussion.

(5) For the six months ended June 30, 2022, Other non-operating loss (income) includes a \$7.2 million charge related to the change in the TRA liability caused by a change in our blended state tax rates. For the six months ended June 30, 2021, Other non-operating loss (income) includes the change in fair value of the embedded derivatives on the Redeemable Preferred Units. This change in fair value of \$20.6 million was due to the occurrence of a Realization Event in the third quarter of 2021, which is defined in the Onex Purchase Agreement as a Qualified Public Offering or a Sale Transaction. For the six months ended June 30, 2021, Other non-operating loss (income) also includes expense of \$8.6 million associated with the extinguishment of a portion of our deferred debt issuance costs on the term debt.

(6) Equity-based compensation reflects non-cash equity-based expense.

(7) Other non-recurring expense includes one-time impacts that do not reflect the core performance of the business, including General and administrative expenses of \$0.4 million for the six months ended June 30, 2021. Other non-recurring items include

one-time professional services costs associated with term debt repricing, one-time non-income tax charges, and tax and accounting consultancy costs associated with potential structure changes.

(8) IPO related expenses include \$1.1 million and \$0.3 million of General and administrative expense associated with the preparations for Sarbanes-Oxley compliance, tax, and accounting advisory services on IPO-related structure changes for the six months ended June 30, 2022 and 2021, respectively, and Compensation-related expense of \$30.5 million for the six months ended June 30, 2022 primarily related to the revaluation of existing equity awards at IPO as well as expense for new awards issued at IPO.

(9) Consolidated Adjusted EBITDAC does not reflect a deduction for the Adjusted EBITDAC associated with the non-controlling interest in Ryan Re for the period of time prior to March 31, 2021 when we did not own 100% of Ryan Re.

(10) Net income margin is Net income as a percentage of Total revenue.

Adjusted Net Income and Adjusted Net Income Margin

We define Adjusted net income as tax-effected earnings before amortization and certain items of income and expense, gains and losses, equity-based compensation, acquisition related long-term incentive compensation, acquisition-related expenses, costs associated with the IPO, and certain exceptional or non-recurring items. The most comparable GAAP financial metric is Net income. Adjusted net income margin is calculated as Adjusted net income as a percentage of Total revenue. The most comparable GAAP financial metric is Net income margin. These measures start with consolidated Net income and do not deduct earnings related to the non-controlling interest in Ryan Re for the period of time prior to March 31, 2021 when we did not own 100% of the business or the non-controlling interest attributed to the retained ownership of the LLC.

Following the IPO the Company is subject to United States federal income taxes, in addition to state, local, and foreign taxes, with respect to our allocable share of any net taxable income of the LLC. For comparability purposes, this calculation incorporates the impact of federal and state statutory tax rates on 100% of our adjusted pre-tax income as if the Company owned 100% of the LLC.

A reconciliation of Adjusted net income and Adjusted net income margin to Net income and Net income margin, the most directly comparable GAAP measures, for each of the periods indicated is as follows:

<i>(in thousands, except percentages)</i>	Three Months Ended June 30,	
	2022	2021
Total revenue	\$ 491,292	\$ 390,012
Net income	\$ 70,120	\$ 63,407
Income tax expense	11,168	2,332
Amortization	26,233	27,319
Amortization of deferred debt issuance costs (1)	3,173	2,754
Change in contingent consideration	(251)	1,723
Acquisition-related expense (2)	1,643	308
Acquisition related long-term incentive compensation (3)	7,101	9,082
Restructuring and related expense (4)	2,574	3,174
Amortization and expense related to discontinued prepaid incentives (5)	1,760	1,604
Other non-operating loss (income) (6)	(622)	7,890
Equity-based compensation (7)	5,676	3,458
Other non-recurring expense (8)	—	19
IPO related expenses (9)	14,582	316
(Income) / loss from equity method investments in related party	16	(353)
Adjusted income before income taxes	\$ 143,173	\$ 123,033
Adjusted tax expense (10)	(36,724)	(30,758)
Adjusted net income	\$ 106,449	\$ 92,275
Net income margin (11)	14.3 %	16.3 %
Adjusted net income margin	21.7 %	23.7 %

(1) Interest expense, net includes amortization of deferred debt issuance costs.

(2) Acquisition-related expense includes diligence, transaction-related, and integration costs. Compensation and benefits expenses were de minimis for the three months ended June 30, 2022, while General and administrative expenses contributed to \$1.6 million and \$0.3 million of the acquisition-related expense for the three months ended June 30, 2022 and 2021, respectively.

(3) Acquisition related long-term incentive compensation arises from long-term incentive plans associated with acquisitions.

(4) Restructuring and related expense consists of compensation and benefits of \$0.5 million and \$2.2 million for the three months ended June 30, 2022 and 2021, respectively, and General and administrative costs including occupancy and professional services fees of \$2.0 million and \$1.0 million for the three months ended June 30, 2022 and 2021, respectively, related to the Restructuring Plan. The compensation and benefits expense includes severance as well as employment costs related to services rendered between the notification and termination dates. See “*Note 5, Restructuring*” of the unaudited quarterly consolidated financial statements for further discussion. The remaining costs that preceded the Restructuring Plan were associated with organizational design, other severance, and non-recurring lease costs.

(5) Amortization and expense related to discontinued prepaid incentive programs – see “*Note 14, Employee Benefit Plans, Prepaid and Long-Term Incentives*” of the unaudited quarterly consolidated financial statements for further discussion.

(6) For the three months ended June 30, 2022, Other non-operating loss (income) includes a \$(0.5) million change in the TRA liability caused by an update in our blended state tax rates. For the three months ended June 30, 2021, Other non-operating loss (income) includes the change in fair value of the embedded derivatives on the Redeemable Preferred Units. This change in fair value of \$8.0 million was due to the occurrence of a Realization Event in the third quarter of 2021, which is defined in the Onex Purchase Agreement as a Qualified Public Offering or a Sale Transaction.

(7) Equity-based compensation reflects non-cash equity-based expense.

(8) Other non-recurring expense includes one-time impacts that do not reflect the core performance of the business, including de minimis General and administrative expenses for the three months ended June 30, 2021. Other non-recurring items include one-time professional services costs associated with term debt repricing, one-time non-income tax charges, and tax and accounting consultancy costs associated with potential structure changes.

(9) IPO related expenses include \$0.5 million and \$0.3 million of General and administrative expense associated with the preparations for Sarbanes-Oxley compliance, tax, and accounting advisory services on IPO-related structure changes for the three months ended June 30, 2022 and 2021, respectively, and Compensation-related expense of \$14.1 million for the three months ended June 30, 2022 primarily related to the revaluation of existing equity awards at IPO as well as expense for new awards issued at IPO.

(10) The Company is subject to United States federal income taxes, in addition to state, local, and foreign taxes, with respect to our allocable share of any net taxable income of the LLC. For the three months ended June 30, 2022 this calculation of adjusted tax expense is based on a federal statutory rate of 21% and a combined state income tax rate net of federal benefits of 4.65% on 100% of our adjusted income before income taxes as if the Company owned 100% of the LLC. For the three months ended June 30, 2021 this calculation of adjusted tax expense is based on a federal statutory rate of 21% and a combined state income tax rate net of federal benefits of 4.00% on 100% of our adjusted income before income taxes as if the Company owned 100% of the LLC.

(11) Net income margin is Net income as a percentage of Total revenue.

(in thousands, except percentages)	Six Months Ended June 30,	
	2022	2021
Total revenue	\$ 878,182	\$ 701,470
Net income	\$ 88,196	\$ 59,606
Income tax expense	6,665	4,566
Amortization	52,896	55,113
Amortization of deferred debt issuance costs (1)	5,984	5,769
Change in contingent consideration	(1,260)	2,313
Acquisition-related expense (2)	2,152	2,022
Acquisition related long-term incentive compensation (3)	14,798	18,504
Restructuring and related expense (4)	5,698	10,172
Amortization and expense related to discontinued prepaid incentives (5)	3,542	3,682
Other non-operating loss (income) (6)	6,898	29,336
Equity-based compensation (7)	12,480	7,888
Other non-recurring items (8)	—	354
IPO related expenses (9)	31,674	316
(Income) / loss from equity method investments in related party	558	(434)
Adjusted income before income taxes	\$ 230,281	\$ 199,207
Adjusted tax expense (10)	(59,067)	(49,802)
Adjusted net income	\$ 171,214	\$ 149,405
Net income margin (11)	10.0 %	8.5 %
Adjusted net income margin	19.5 %	21.3 %

(1) Interest expense, net includes amortization of deferred debt issuance costs.

(2) Acquisition-related expense includes diligence, transaction-related, and integration costs. Compensation and benefits expenses were \$0.1 million for the six months ended June 30, 2022, while General and administrative expenses contributed to \$2.1 million and \$2.0 million of the acquisition-related expense for the six months ended June 30, 2022 and 2021, respectively.

(3) Acquisition related long-term incentive compensation arises from long-term incentive plans associated with acquisitions.

(4) Restructuring and related expense consists of compensation and benefits of \$0.7 million and \$8.4 million for the six months ended June 30, 2022 and 2021, respectively, and General and administrative costs including occupancy and professional services fees of \$5.0 million and \$1.8 million for the six months ended June 30, 2022 and 2021, respectively, related to the Restructuring Plan. The compensation and benefits expense includes severance as well as employment costs related to services rendered between the notification and termination dates. See “*Note 5, Restructuring*” of the unaudited quarterly consolidated financial statements for further discussion. The remaining costs that preceded the Restructuring Plan were associated with organizational design, other severance, and non-recurring lease costs.

(5) Amortization and expense related to discontinued prepaid incentive programs – see “*Note 14, Employee Benefit Plans, Prepaid and Long-Term Incentives*” of the unaudited quarterly consolidated financial statements for further discussion.

(6) For the six months ended June 30, 2022, Other non-operating loss (income) includes a \$7.2 million charge related to the change in the TRA liability caused by a change in our blended state tax rates. For the six months ended June 30, 2021, Other non-operating loss (income) includes the change in fair value of the embedded derivatives on the Redeemable Preferred Units. This change in fair value of \$20.6 million was due to the occurrence of a Realization Event in the third quarter of 2021, which is defined in the Onex Purchase Agreement as a Qualified Public Offering or a Sale Transaction. For the six months ended June 30, 2021, Other non-operating loss (income) also includes expense of \$8.6 million associated with the extinguishment of a portion of our deferred debt issuance costs on the term debt.

(7) Equity-based compensation reflects non-cash equity-based expense.

(8) Other non-recurring expense includes one-time impacts that do not reflect the core performance of the business, including General and administrative expenses of \$0.4 million for the six months ended June 30, 2021. Other non-recurring items include one-time professional services costs associated with term debt repricing, one-time non-income tax charges, and tax and accounting consultancy costs associated with potential structure changes.

(9) IPO related expenses include \$1.1 million and \$0.3 million of General and administrative expense associated with the preparations for Sarbanes-Oxley compliance, tax, and accounting advisory services on IPO-related structure changes for the six

months ended June 30, 2022 and 2021, respectively, and Compensation-related expense of \$30.5 million for the three months ended June 30, 2022 primarily related to the revaluation of existing equity awards at IPO as well as expense for new awards issued at IPO.

(10) The Company is subject to United States federal income taxes, in addition to state, local, and foreign taxes, with respect to our allocable share of any net taxable income of the LLC. For the six months ended June 30, 2022, this calculation of adjusted tax expense is based on a federal statutory rate of 21% and a combined state income tax rate net of federal benefits of 4.65% on 100% of our adjusted income before income taxes as if the Company owned 100% of the LLC. For the six months ended June 30, 2021, this calculation of adjusted tax expense is based on a federal statutory rate of 21% and a combined state income tax rate net of federal benefits of 4.00% on 100% of our adjusted income before income taxes as if the Company owned 100% of the LLC.

(11) Net income margin is Net income as a percentage of Total revenue.

Adjusted Diluted Earnings per Share

We define Adjusted diluted earnings per share as Adjusted net income divided by diluted shares outstanding after adjusting for the effect of the exchange of 100% of the outstanding LLC Common Units (together with the shares of Class B common stock) into shares of Class A common stock and the effect of unvested equity awards. The most directly comparable GAAP financial metric is diluted earnings per share.

A reconciliation of Adjusted diluted earnings per share to Diluted earnings per share, the most directly comparable GAAP measure, for each of the periods indicated is as follows:

<i>(in thousands, except per share data)</i>	Three Months Ended June 30, 2022						Adjusted diluted earnings per share
	U.S. GAAP	Less: Net income attributed to dilutive awards and substantively vested shares (1)	Plus: Impact of all LLC Common Units exchanged for Class A shares (2)	Plus: Adjustments to Adjusted net income (3)	Plus: Dilutive impact of unvested equity awards (4)	Adjustments	
Numerator:							
Net income attributable to Class A common shareholders- diluted	\$ 26,432	(1,931)	45,619	\$ 36,329	\$ —		\$ 106,449
Denominator:							
Weighted-average shares of Class A common stock outstanding- diluted	120,205	—	144,495	—	5,090		269,791
Net income per share of Class A common stock- diluted	\$ 0.22	\$ (0.02)	\$ 0.06	\$ 0.14	\$ (0.01)		\$ 0.39

(1) Adjustment removes the impact of Net income attributed to dilutive awards and substantively vested RSUs to arrive at Net income attributable to Ryan Specialty Holdings, Inc. See "Note 12, Earnings Per Share" of the unaudited quarterly consolidated financial statements.

(2) For comparability purposes, this calculation incorporates the Net income and weighted average shares of Class A common stock that would be outstanding if all LLC Common Units (together with shares of Class B common stock) were exchanged for shares of Class A common stock. See "Note 12, Earnings Per Share" of the unaudited quarterly consolidated financial statements.

(3) Adjustments to Adjusted net income are described in the footnotes of the reconciliation of Adjusted net income to Net income in "Adjusted Net Income and Adjusted Net Income Margin."

(4) For comparability purposes and to be consistent with the treatment of the adjustments to arrive at Adjusted net income, the dilutive effect of unvested equity awards is calculated using the treasury stock method as if the weighted average unrecognized cost associated with the awards was \$0 over the period, less any unvested equity awards determined to be dilutive within the Diluted earnings per share calculation disclosed in "Note 12, Earnings Per Share" of the unaudited quarterly consolidated financial statements.

(in thousands, except per share data)	Six Months Ended June 30, 2022					Adjusted diluted earnings per share
	U.S. GAAP	Less: Net income attributed to dilutive awards and substantively vested shares (1)	Plus: Net income attributed to non-controlling interests (2)	Plus: Adjustments to Adjusted net income (3)	Plus: Dilutive impact of unvested equity awards (4)	
Numerator:						
Net income attributable to Class A common shareholders- diluted	\$ 73,726	\$ (42,314)	\$ 56,784	\$ 83,018	\$ —	\$ 171,214
Denominator:						
Weighted-average shares of Class A common stock outstanding- diluted	264,417	—	—	—	5,386	269,804
Net income per share of Class A common stock- diluted	\$ 0.28	\$ (0.16)	\$ 0.21	\$ 0.32	\$ (0.02)	\$ 0.63

(1) Adjustment removes the impact of Net income attributed to dilutive awards and substantively vested RSUs to arrive at Net income attributable to Ryan Specialty Holdings, Inc. See “Note 12, Earnings Per Share” of the unaudited quarterly consolidated financial statements.

(2) For comparability purposes, this calculation incorporates the Net income that would be outstanding if all LLC Common Units (together with shares of Class B common stock) were exchanged for shares of Class A common stock. The 143,962 weighted average outstanding LLC Common Units were considered dilutive for the six months ended June 30, 2022 and included in the 264,417 of Weighted-average shares outstanding within Diluted EPS. See “Note 12, Earnings Per Share” of the unaudited quarterly consolidated financial statements.

(3) Adjustments to Adjusted net income are described in the footnotes of the reconciliation of Adjusted net income to Net income in “Adjusted Net Income and Adjusted Net Income Margin.”

(4) For comparability purposes and to be consistent with the treatment of the adjustments to arrive at Adjusted net income, the dilutive effect of unvested equity awards is calculated using the treasury stock method as if the weighted average unrecognized cost associated with the awards was \$0 over the period, less any unvested equity awards determined to be dilutive within the Diluted earnings per share calculation disclosed in “Note 12, Earnings Per Share” of the unaudited quarterly consolidated financial statements.

Liquidity and Capital Resources

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations. We believe that the balance sheet and strong cash flow profile of the business provides adequate liquidity. The primary sources of liquidity are Cash and cash equivalents on the Consolidated Balance Sheets, cash flows provided by operations, and debt capacity available under our Revolving Credit Facility, Term Loan, and Senior Secured Notes (together “Credit Facility”). The primary uses of liquidity are operating expenses, seasonal working capital needs, business combinations, capital expenditures, obligations under the TRA, taxes, and distributions to LLC Unitholders. We believe that cash and cash equivalents, cash flows from operations, and amounts available under our Credit Facility will be sufficient to meet liquidity needs, including principal and interest payments on debt obligations, capital expenditures, and anticipated working capital requirements, for the next 12 months and beyond. Our future capital requirements will depend on many factors including continuance of historical working capital levels and capital expenditure needs, investment in de novo offerings, and the flow of deals in our merger and acquisition program.

We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations, this could reduce our ability to compete successfully and harm the results of our operations.

Cash and cash equivalents on the Consolidated Balance Sheets includes funds available for general corporate purposes. Fiduciary cash and receivables cannot be used for general corporate purposes. Insurance premiums, claims funds, and surplus lines taxes are held in a fiduciary capacity and the obligation to remit these funds is recorded as Fiduciary liabilities in the Consolidated Balance Sheets. We will recognize fiduciary amounts due to others as fiduciary liabilities and fiduciary amounts collectible and held on behalf of others, including insurance carriers, other insurance intermediaries, surplus lines taxing authorities, clients, and insurance policy holders, as Fiduciary cash and receivables in the Consolidated Balance Sheets.

In our capacity as an insurance broker or agent, we collect premiums from insureds and, after deducting our commission, remit the premiums to the respective insurance markets and carriers. We also collect claims prefunding or refunds from carriers on behalf of insureds, which are then returned to the insureds, and surplus lines taxes, which are then remitted to surplus lines taxing authorities. Insurance premiums, claims funds, and surplus lines taxes are held in a fiduciary capacity. The levels of Fiduciary cash and receivables and Fiduciary liabilities can fluctuate significantly depending on when we collect the premiums, claims prefunding, and refunds, make payments to markets, carriers, surplus lines taxing authorities, and insureds, and collect funds from clients and make payments on their behalf, and upon the impact of foreign currency movements. Fiduciary cash, because of its nature, is generally held in very liquid securities with a focus on preservation of principal. To minimize investment risk, we and our subsidiaries maintain cash holdings pursuant to an investment policy which contemplates all relevant rules established by states with regard to fiduciary cash and is approved by our Board of Directors. The policy requires broad diversification of holdings across a variety of counterparties utilizing limits set by our Board of Directors, primarily based on credit rating and type of investment. Fiduciary cash and receivables included cash of \$811.0 million and \$675.8 million as of June 30, 2022 and 2021, respectively, and fiduciary receivables of \$2,006.8 million and \$1,617.6 million as of June 30, 2022 and 2021, respectively. While we may earn interest income on fiduciary cash held in cash and investments, the fiduciary cash may not be used for general corporate purposes. Of the \$866.6 million of Cash and cash equivalents on the Consolidated Balance Sheets as of June 30, 2022, \$153.7 million is held in fiduciary accounts representing collected revenue and is available to be transferred to operating accounts and used for general corporate purposes.

Credit Facilities

We expect to have sufficient financial resources to meet our business requirements for the next 12 months. Although cash from operations is expected to be sufficient to service our activities, including servicing our debt and contractual obligations, and financing capital expenditures, we have the ability to borrow under our Revolving Credit Facility to accommodate any timing differences in cash flows. Additionally, under current market conditions, we believe that we could access capital markets to obtain debt financing for longer-term funding, if needed.

On September 1, 2020, we entered into the Credit Agreement with leading institutions, including JPMorgan Chase Bank, N.A., the Administrative Agent, for Term Loan borrowings totaling \$1,650.0 million and a Revolving Credit Facility totaling \$300.0 million, in connection with financing the All Risks Acquisition. Borrowings under our Revolving Credit Facility are permitted to be drawn for our working capital and other general corporate financing purposes and those of certain of our subsidiaries. Borrowings under our Credit Agreement are unconditionally guaranteed by various subsidiaries and are secured by a lien and security interest in substantially all of our assets. See “*Note 9, Debt*” in the notes to our audited consolidated financial statements in this Annual Report for further information regarding our debt arrangements.

On July 26, 2021, we entered into an amendment to our Credit Agreement, which provided for an increase in the size of our Revolving Credit Facility from \$300.0 million to \$600.0 million. Interest on the upsized Revolving Credit Facility bore interest at the Eurocurrency Rate (LIBOR) plus a margin that ranged from 2.50% to 3.00%, based on the first lien net leverage ratio defined in our Credit Agreement. No other significant terms under our agreement governing the Revolving Credit Facility were changed in connection with such amendment.

On February 3, 2022, the LLC issued \$400.0 million of senior secured notes. The notes have a 4.375% interest rate and will mature on February 1, 2030.

On April 29, 2022 the Company entered into the Fourth Amendment to the Credit Agreement on its Term Loan and Revolving Credit Facility to transition its LIBOR rate to a Benchmark Replacement of Adjusted Term SOFR plus a Credit Spread Adjustment of 10 basis points, 15 basis points, or 25 basis points for the one-month, three-month, or six-month borrowing periods, respectively.

As of June 30, 2022, the interest rate on the Term Loan was SOFR plus 3.00%, subject to a 75 basis point floor.

As of June 30, 2022, we were in compliance with all of the covenants under our Credit Agreement and there were no events of default for the six months ended June 30, 2022.

See “*Note 9, Debt*” in the notes to our unaudited quarterly consolidated financial statements for further information regarding our debt arrangements.

Tax Receivable Agreement

In connection with the Organizational Transactions and IPO, the Company entered into a TRA with current and certain former LLC Unitholders. The TRA provides for the payment by the Company to current and certain former LLC Unitholders, of 85% of the net cash savings, if any, in U.S. federal, state and local income taxes that the Company realizes (or is deemed to realize in certain circumstances) as a result of (i) certain increases in the tax basis of the assets of the LLC resulting from purchases or exchanges of

LLC Common Units (“Exchange Tax Attributes”), (ii) certain tax attributes of the LLC that existed prior to the IPO (“Pre-IPO M&A Tax Attributes”), (iii) certain favorable “remedial” partnership tax allocations to which the Company becomes entitled to (if any), and (iv) certain other tax benefits related to the Company entering into the TRA, including tax benefits attributable to payments that the Company makes under the TRA (“TRA Payment Tax Attributes”). The Company recognizes a liability on the Consolidated Balance Sheets based on the undiscounted estimated future payments under the TRA.

Due to the uncertainty of various factors, we cannot precisely quantify the likely tax benefits we will realize as a result of the LLC Common Unit exchanges and the resulting amounts we are likely to pay out to current and certain former LLC Unitholders pursuant to the TRA; however, we estimate that such tax benefits and the related TRA payments may be substantial. As set forth in the table below, and assuming no changes in the relevant tax law and that we earn sufficient taxable income to realize all cash tax savings that are subject to the TRA as a result of transaction, we expect future payments under the TRA as a result of transactions as of June 30, 2022 will be \$293.8 million in aggregate. Future payments in respect to subsequent exchanges would be in addition to these amounts and are expected to be substantial. The foregoing amounts are merely estimates and the actual payments could differ materially. In the event of a permissible early termination of the TRA the Company is required to pay to each holder of the TRA an early termination payment equal to the discounted present value of all unpaid TRA Payments. The Company has not made and is not likely to make an election for an early termination. We expect to fund future TRA payments with tax distributions from the LLC that come from cash on hand and cash generated from operations.

<i>(in thousands)</i>	Exchange Tax Attributes ⁽¹⁾	Pre-IPO M&A Tax Attributes ⁽²⁾	TRA Payment Tax Attributes ⁽³⁾	TRA Liabilities
Balance at December 31, 2021	\$ 136,704	\$ 83,389	\$ 52,007	\$ 272,100
Exchange of LLC Common Units	9,897	1,435	3,159	14,491
Remeasurement - change in state rate Payments	2,884	1,759	2,530	7,173
	—	—	—	—
Balance at June 30, 2022	\$ 149,485	\$ 86,583	\$ 57,696	\$ 293,764

Total expected estimated tax savings from each of the tax attributes associated with the TRA are (1) Exchange Tax Attributes of \$175.9 million, (2) Pre-IPO M&A Tax Attributes of \$101.9 million, and (3) TRA Payment Tax Attributes of \$67.9 million. The Company will retain the benefit of 15% of these cash savings.

Comparison of Cash Flows for the Six Months Ended June 30, 2022 and 2021

Cash and cash equivalents increased \$559.1 million from \$307.5 million at June 30, 2021 to \$866.7 million at June 30, 2022. A summary of our cash flows provided by and used for continuing operations from operating, investing, and financing activities is as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities during the six months ended June 30, 2022 increased \$57.0 million from the six months ended June 30, 2021 to \$164.7 million. This amount represents net income reported, as adjusted for amortization and depreciation, prepaid and deferred equity compensation expense, as well as the change in commission and fees receivable, accrued compensation and other current and noncurrent assets and liabilities. Net income increased \$28.6 million and Non-cash equity-based compensation increased \$35.4 million during the six months ended June 30, 2022.

Cash Flows from Investing Activities

Cash flows used for investing activities during the six months ended June 30, 2022 were \$6.8 million, an increase of \$6.6 million compared to the \$0.2 million of cash flows used for investing activities during the six months ended June 30, 2021. The main driver of the cash flows used for investing activities in the six months ended June 30, 2022 was \$6.8 million of capital expenditures, compared to \$3.9 million of capital expenditures offset by \$3.8 million of Prepaid incentive repayments the six months ended June 30, 2021.

Cash Flows from Financing Activities

Cash flows provided by financing activities during the six months ended June 30, 2022 were \$379.8 million, an increase of \$399.2 million compared to cash flows used by financing activities of \$19.4 million during the six months ended June 30, 2021. The main drivers of cash flows provided by financing activities during the six months ended June 30, 2022 were the Bond issuance of \$394.0 million and the net change in fiduciary liabilities of \$54.4 million, offset by the cash distributions to LLC Unitholders of \$26.2 million, payment of interest rate cap premium of \$25.5 million, the repayment of term debt of \$8.3 million, and the payment of contingent consideration of \$6.2 million. The main drivers of cash flows used by financing activities during the six months ended June 30, 2021 were the purchase of the remaining interest in Ryan Re of \$48.4 million, cash distributions to certain pre-IPO LLC

Unitholders of \$47.0 million, repayment of term debt of \$8.3 million, deferred offering and debt issuance costs paid of \$5.5 million, and equity repurchases from pre-IPO LLC Unitholders of \$3.9 million, offset by \$93.7 million of net change in fiduciary liabilities.

Contractual Obligations and Commitments

Our principal commitments consist of contractual obligations in connection with investing and operating activities. These obligations are described within “*Note 8, Leases*” and “*Note 9, Debt*” in the notes to our unaudited consolidated financial statements and provide further description on provisions that create, increase, or accelerate obligations, or other pertinent data to the extent necessary for an understanding of the timing and amount of the specified contractual obligations.

Within “*Note 14, Employee Benefit Plans, Prepaid and Long-Term Incentives*” in the notes to our unaudited consolidated financial statements we discuss various long-term incentive compensation agreements and their impact. These agreements are typically associated with an acquisition. Below we have outlined the liabilities accrued as of June 30, 2022, the projected future expense, and the projected timing of future cash outflows associated with these arrangements.

Long-term Incentive Compensation Agreements		June 30, 2022
<i>(in thousands)</i>		
Current accrued compensation	\$	—
Non-current accrued compensation		180
Total liability	\$	180
Projected future expense		625
Total projected future cash outflows	\$	805

Projected Future Cash Outflows		
<i>(in thousands)</i>		
2022	\$	—
2023		—
2024		—
2025		—
Thereafter	\$	805

Within “*Note 14, Employee Benefit Plans, Prepaid and Long-Term Incentives*” in the notes to our unaudited consolidated financial statements we discuss the All Risks Long-Term Incentive Plans and their impact. Below we have outlined the liabilities accrued as of June 30, 2022, the projected future expense, and the projected timing of future cash outflows associated with these arrangements.

All Risks Long-Term Incentive Plan		June 30, 2022
<i>(in thousands)</i>		
Current accrued compensation	\$	101,551
Non-current accrued compensation		—
Total liability	\$	101,551
Projected future expense		5,067
Total projected future cash outflows	\$	106,618

Projected Future Cash Outflows		
<i>(in thousands)</i>		
2022	\$	106,618
2023		—
2024		—
2025		—
Thereafter	\$	—

Within “*Note 4, Mergers and Acquisitions*” in the notes to our unaudited consolidated financial statements we discuss various contingent consideration arrangements and their impact. Below we have outlined the liabilities accrued as of June 30, 2022, the projected future expense, and the projected timing of future cash outflows associated with these contingent consideration agreements.

Contingent Consideration

<i>(in thousands)</i>		June 30, 2022
Current accounts payable and accrued liabilities	\$	6,188
Other non-current liabilities		20,169
Total liability	\$	26,357
Projected future expense		6,016
Total projected future cash outflows	\$	32,373

Projected Future Cash Outflows

<i>(in thousands)</i>		
2022	\$	—
2023		6,689
2024		—
2025		25,684
Thereafter	\$	—

For further discussion, see “*Note 4, Mergers and Acquisitions,*” “*Note 8, Leases,*” “*Note 9, Debt,*” “*Note 14, Employee Benefit Plans, Prepaid and Long-Term Incentives,*” and “*Note 17, Commitments and Contingencies*” of the notes to our unaudited consolidated financial statements.

Critical Accounting Policies and Estimates

The methods, assumptions, and estimates that we use in applying the accounting policies may require us to apply judgments regarding matters that are inherently uncertain. We consider an accounting policy to be a critical estimate if: (i) the Company must make assumptions that were uncertain when the judgment was made, and (ii) changes in the estimate assumptions, or selection of a different estimate methodology, could have a significant impact on our financial position and the results that we will report in the consolidated financial statements. While we believe that the estimates, assumptions, and judgments are reasonable, they are based on information available when the estimate was made. The accounting policies that we believe reflect our more significant estimates, judgments, and assumptions that are most critical to understanding and evaluating our reported financial results are: revenue recognition, fair value, and goodwill and intangibles.

Our critical accounting policies are described under the heading “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies*” in the Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on March 16, 2022. Additionally, the changes, if any, to our critical accounting policies and estimates disclosed in the Annual Report on Form 10-K for the year ended December 31, 2021 are included in “*Note 2, Significant Accounting Policies,*” to our unaudited consolidated financial statements.

Recent Accounting Pronouncements

For a description of our recently adopted accounting pronouncements and recently issued accounting standards not yet adopted, see “*Note 2, Significant Accounting Policies*” in the notes to our unaudited consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to various market risks in the day-to-day operations. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest and foreign currency exchange rates.

Foreign Currency Risk

For the six months ended June 30, 2022, approximately 3% of revenues were generated from activities in the United Kingdom, Europe, and Canada. We are exposed to currency risk from the potential changes between the exchange rates of the US Dollar, Canadian Dollar, British Pound, Euro, Swedish Krona, Danish Krone, and other European currencies. The exposure to foreign currency risk from the potential changes between the exchange rates between the USD and other currencies is immaterial.

Interest Rate Risk

Fiduciary investment income is affected by changes in international and domestic short-term interest rates.

As of June 30, 2022, we had \$1,621.1 million of outstanding principal on our Term Loan borrowings, which bears interest on a floating rate, subject to a 0.75% floor. We are subject to Adjusted Term SOFR interest rate changes, and exposure in excess of the floor. The fair value of the Term Loan approximates the carrying amount as of June 30, 2022, and December 31, 2021, as determined based upon information available.

On April 7, 2022 the Company entered into an interest rate cap agreement to manage its exposure to interest rate fluctuations related to the Company's Term Loan for an upfront cost of \$25.5 million. The interest rate cap has a \$1,000.0 million notional amount, 2.75% strike, and terminates on December 31, 2025.

On April 29, 2022 the Company entered into the Fourth Amendment to the Credit Agreement on its Term Loan and Revolving Credit Facility to transition its Eurocurrency Rate (LIBOR) to a Benchmark Replacement of Adjusted Term SOFR plus a Credit Spread Adjustment of 10 basis points, 15 basis points, or 25 basis points for the one-month, three-month, or six-month borrowing periods, respectively.

Other financial instruments consist of Cash and cash equivalents, Commissions and fees receivable – net, Other current assets, and Accounts payable and accrued liabilities. The carrying amounts of Cash and cash equivalents, Commissions and fees receivable – net, and Accounts payable and accrued liabilities approximate fair value because of the short-term nature of the instruments.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rule 13a–15(e) and Rule 15d–15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to provide reasonable assurance that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of June 30, 2022, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control

There have been no changes in internal control over financial reporting during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be involved in various legal proceedings and subject to claims that arise in the ordinary course of business. Although the results of litigation and claims are inherently unpredictable and uncertain, 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.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed under the heading “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2021 which was filed with the SEC.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On August 9, 2022, the Company amended and restated the Tax Receivable Agreement, dated July 26, 2021, among the Company and the persons named therein, to, among other items: (i) limit the Company's ability to electively terminate such agreement in exchange for a fixed payment; and (ii) limit the reference property giving rise to payment obligations under such agreement with respect to common tax basis to the reference property owned at the time of the Company's initial public offering (collectively, the "A&R TRA").

The foregoing description of the A&R TRA does not purport to be complete and is qualified in its entirety by reference to the full text of the A&R TRA, attached as Exhibit 10.1 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

Item 6. Exhibits

The following is a list of all exhibits filed or furnished as part of this report:

Exhibit Number	Description
3.1	<u>Amended and Restated Certificate of Incorporation of the Ryan Specialty Holdings, Inc., dated July 21, 2021 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on July 27, 2021).</u>
3.2	<u>Certificate of Amendment to Amended and Restated Certificate of Incorporation of Ryan Specialty Holdings, Inc. dated June 3, 2022 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on June 8, 2022).</u>
3.3	<u>Amended and Restated Bylaws of Ryan Specialty Holdings, Inc., dated July 21, 2021 (incorporated by reference to Exhibit 3.2 to the Registrant's Form 8-K filed on June 8, 2022).</u>
4.1	<u>Registration Rights Agreement, dated July 26, 2021, by and among Ryan Specialty Holdings, Inc. and the other signatories party thereto (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed on July 27, 2021).</u>
4.2	<u>Indenture, dated as of February 3, 2022, by and among Ryan Specialty, LLC, the guarantors party thereto and U.S. Bank National Association as trustee and as notes collateral agent (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed on February 7, 2022).</u>
4.3	<u>Form of 4.375% Senior Secured Notes due 2030 (incorporated by reference to Exhibit A to Exhibit 4.1 to the Registrant's Form 8-K filed on February 7, 2022)</u>
10.1	<u>Amended and Restated Tax Receivable Agreement, dated as of August 9, 2022, by and among Ryan Specialty Holdings, Inc. and the other signatories party thereto, filed herewith.</u>
10.2	<u>Seventh Amended and Restated Limited Liability Company Agreement of Ryan Specialty, LLC, dated as of September 30, 2021, by and among Ryan Specialty, LLC and the other signatories party thereto, (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on November 12, 2021).</u>
10.3	<u>First Amendment to the Seventh Amended and Restated Limited Liability Company Agreement of Ryan Specialty, LLC, dated as of February 17, 2022, by and among Ryan Specialty, LLC and the other signatories party thereto (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed on May 13, 2022).</u>
10.4	<u>Form of Director and Officer Indemnification Agreement, by and among Ryan Specialty Holdings, Inc. and the other signatories party thereto (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on June 21, 2021).</u>
10.5	<u>Indemnification Agreement, by and among Ryan Specialty Holdings, Inc. and Patrick G. Ryan, dated as of July 26, 2021 (incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K filed on July 27, 2021).</u>
10.6	<u>Director Nomination Agreement, dated as of July 26, 2021, by and among Ryan Specialty Holdings, Inc. and the other signatories party thereto (incorporated by reference to Exhibit 10.5 to the Registrant's Form 8-K filed on July 27, 2021).</u>
10.7	<u>Ryan Specialty Holdings, Inc. 2021 Omnibus Incentive Plan, filed herewith.</u>
10.8	<u>Ryan Specialty Holdings, Inc. Form of Nonqualified Stock Option Agreement (Stacking Option) (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-8 filed on July 23, 2021).</u>
10.9	<u>Ryan Specialty Holdings, Inc. Form of Nonqualified Stock Option Agreement (Reload Option) (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-8 filed on July 23, 2021).</u>
10.10	<u>Ryan Specialty Holdings, Inc. Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-8 filed on July 23, 2021).</u>
10.11	<u>Ryan Specialty Holdings, Inc. Form of Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-8 filed on July 23, 2021).</u>
10.12	<u>Ryan Specialty Holdings, Inc. Form of Class C Common Incentive Unit Grant Agreement (Staking Unit) (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-8 filed on July 23, 2021).</u>
10.13	<u>Ryan Specialty Holdings, Inc. Form of Class C Common Incentive Unit Grant Agreement (Reload Unit) (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-8 filed on July 23, 2021).</u>
10.14	<u>Ryan Specialty Holdings, Inc. Form of Common Unit Grant Agreement (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-8 filed on July 23, 2021).</u>
10.15	<u>Ryan Specialty Holdings, Inc. Form of Restricted LLC Unit Agreement (incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-8 filed on July 23, 2021).</u>

10.16	<u>Ryan Specialty Holdings, Inc. Form of Restricted Stock Unit Agreement (Non-Employee Directors) (incorporated by reference to Exhibit 10.15 to the Registrant's Form 10-K filed on March 16, 2022).</u>
10.17	<u>Ryan Specialty Holdings, Inc. Form of Restricted LLC Unit Agreement (2022) (incorporated by reference to Exhibit 10.17 to the Registrant's Quarterly Report on Form 10-Q filed on May 13, 2022).</u>
10.18	<u>Fourth Amendment to the Credit Agreement, dated April 29, 2022, including Exhibit A, a conformed copy of the Credit Agreement, dated as of September 1, 2020, among Ryan Specialty, LLC and JPMorgan Chase Bank, N.A., as administrative agent and the other lenders party thereto, as amended March 30, 2021, July 26, 2021, August 13, 2021 and April 29, 2022 (incorporated by reference to Exhibit 10.18 to the Registrant's Quarterly Report on Form 10-Q filed on May 13, 2022).</u>
10.19	<u>Amended and Restated Limited Liability Company Operating Agreement of New Ryan Specialty, LLC dated as of September 30, 2021, by and among New Ryan Specialty, LLC and the other signatories party thereto, (incorporated by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q filed on November 12, 2021)</u>
10.20	<u>First Amendment to the Amended and Restated Limited Liability Company Operating Agreement of New Ryan Specialty, LLC dated as of September 30, 2021, by and among New Ryan Specialty, LLC and the other signatories party thereto (incorporated by reference to Exhibit 10.20 to the Registrant's Quarterly Report on Form 10-Q filed on May 13, 2022).</u>
31.1	<u>Certification of the Chief Executive Officer pursuant to Exchange Act Rules Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.</u>
31.2	<u>Certification of the Chief Financial Officer pursuant to Exchange Act Rules Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.</u>
32.1*	<u>Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, filed herewith.</u>
32.2*	<u>Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, filed herewith.</u>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* The certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

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

RYAN SPECIALTY HOLDINGS, INC. (Registrant)

Date: August 12, 2022

By: /s/ Jeremiah R. Bickham

Jeremiah R. Bickham
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

**AMENDED AND RESTATED
TAX RECEIVABLE AGREEMENT**
among
RYAN SPECIALTY HOLDINGS, INC.
(f/k/a Ryan Specialty Group Holdings, Inc.)
and
THE PERSONS NAMED HEREIN
Dated as of August 9, 2022

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AMENDED AND RESTATED

TAX RECEIVABLE AGREEMENT

This AMENDED AND RESTATED **TAX RECEIVABLE AGREEMENT** (this “**Agreement**”), is dated as of August 9, 2022, and is between Ryan Specialty Holdings, Inc. (f/k/a Ryan Specialty Group Holdings, Inc.), a Delaware corporation (“**PubCo**”), each of the undersigned parties, and each of the other persons from time to time that becomes a party hereto (each, excluding Ryan Specialty, LLC (f/k/a Ryan Specialty Group, LLC), a Delaware limited liability company (“**RSG LLC**”) and New Ryan Specialty, LLC (formerly New RSG Holdings, LLC), a Delaware limited liability company (“**NEW RSG LLC**”), a “**TRA Party**” and together the “**TRA Parties**”). This Agreement amends and replaces, and supersedes in its entirety, the Tax Receivable Agreement, dated as of July 26, 2021, by and among PubCo and persons identified therein (the “**Original Agreement**”)

RECITALS

WHEREAS, the TRA Parties directly or indirectly hold units (the “**Units**”) in OpCo (as defined below), which is classified as a partnership for United States federal income tax purposes;

WHEREAS, in connection with the IPO (as defined below), PubCo became the sole managing member of OpCo, and holds and will hold, directly and/or indirectly, Units;

WHEREAS, the Units held by certain TRA Parties may be exchanged for Class A common stock (the “**Class A Shares**”) of the Corporate Taxpayer (as defined below), in accordance with and subject to the provisions of the LLC Agreement (as defined below);

WHEREAS, in connection with the IPO, certain TRA Parties engaged in an Exchange (as defined below) of Units for cash in a transaction intended to be governed by Section 741 of the Code;

WHEREAS, in connection with the IPO, the Contribution TRA Parties engaged in an Exchange (as defined below) pursuant to which such TRA Parties transferred direct or indirect interests in their respective Units to the Corporate Taxpayer in exchange for Class A Shares in a transaction intended to be governed by Section 351 and/or Section 368(a) of the Code, including the Blocker Exchanges;

WHEREAS, OpCo and each of its direct and indirect Subsidiaries (as defined below) that is treated as a partnership for United States federal income tax purposes currently have and will have in effect an election under Section 754 of the Code, for each Taxable Year (as defined below) that includes the IPO Date and for each Taxable Year in which a taxable acquisition (including a deemed taxable acquisition under Section 707(a) of the Code) or non-taxable acquisition of Units (directly or indirectly) by the Corporate Taxpayer or by OpCo from any of the TRA Parties (an “**Exchanging Holder**”) for Class A Shares and/or other consideration (an “**Exchange**”) occurs;

WHEREAS, the income, gain, loss, expense and other Tax items of the Corporate Taxpayer may be affected by the (i) Common Basis, (ii) Remedial Allocations (iii) Basis Adjustments and (iv) Imputed Interest (as defined below) (collectively, the “**Tax Attributes**”);

WHEREAS, the parties to this Agreement desire to provide for certain payments and make certain arrangements with respect to the effect of the Tax Attributes on the liability for Taxes (as defined below) of the Corporate Taxpayer.

NOW, THEREFORE, in consideration of the foregoing and the respective covenants and agreements set forth herein, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I **DEFINITIONS**

Section 1.1 Definitions. As used in this Agreement, the terms set forth in this Article I shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined).

“**Actual Tax Liability**” means, with respect to any Taxable Year, the sum of (i) the actual liability for U.S. federal income Taxes of the Corporate Taxpayer as reported on its IRS Form 1120 (or any successor form) for such Taxable Year, and, without duplication, the portion of any liability for U.S. federal income taxes imposed directly on OpCo (and OpCo’s applicable Subsidiaries) under Section 6225 or any similar provision of the Code that is allocable to the Corporate Taxpayer under Section 704 of the Code and/or the Partnership Audit Rules (provided, that such amount will be calculated excluding deductions of (and other effects of) state and local income taxes) and (ii) the product of the amount of the United States federal taxable income or gain for such Taxable Year reported on the Corporate Taxpayer’s IRS Form 1120 (or any successor form) and the Assumed Rate.

“**Affiliate**” means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such first Person.

“**Agreed Rate**” means a per annum rate of the lesser of (i) 6.5% and (ii) LIBOR plus 100 basis points.

“**Agreement**” has the meaning set forth in the Preamble to this Agreement.

“**Amended Schedule**” has the meaning set forth in Section 2.3(b) of this Agreement.

“**Assumed Rate**” means, with respect to any Taxable Year, the product of (a) the excess of (i) one hundred percent (100%) over (ii) the highest U.S. federal corporate income tax rate for such Taxable Year multiplied by (b) the sum, with respect to each state and local jurisdiction in which the Corporate Taxpayer files Tax Returns, of the products of (i) the Corporate Taxpayer’s tax apportionment rate(s) for such jurisdiction for such Taxable Year multiplied by (ii) the highest corporate tax rate(s) for such jurisdiction for such Taxable Year.

“**Attributable**” means the portion of any Tax Attribute of the Corporate Taxpayer that is “Attributable” to any present or former holder of Units, other than the Corporate Taxpayer, and shall be determined by reference to the Tax Attributes, under the following principles:

(i) any Common Basis and the Basis Adjustments shall be determined separately with respect to each Exchanging Holder, using reasonable methods for tracking such Common Basis or Basis Adjustments, and are Attributable to each Exchanging Holder in an amount equal to the total Common Basis and Basis Adjustments relating to such Units Exchanged by such Exchanging Holder (determined without regard to any dilutive or antidilutive effect of any contribution to or distribution from OpCo after the date of an applicable Exchange, and taking into account (A) Section 704(c) of the Code and Remedial Allocations, and (B) any adjustment under Section 743(b) of the Code); and

(ii) any deduction to the Corporate Taxpayer with respect to a Taxable Year in respect of Imputed Interest is Attributable to the Person that is required to include the Imputed Interest in income (without regard to whether such Person is actually subject to Tax thereon).

“**Basis Adjustment**” means the adjustment to the Tax basis of Reference Property under Sections 732, 734(b), 362, 1012 and/or 1014 of the Code (in situations where, as a result of one or more Exchanges, OpCo becomes an entity that is disregarded as separate from its owner for United States federal income tax purposes) or under Sections 734(b), 743(b), 362 and/or 754 of the Code (in situations where, following an Exchange, OpCo remains in existence as an entity treated as a partnership for United States federal income tax purposes) as a result of an Exchange and the payments made pursuant to this Agreement in respect of such Exchange. For the avoidance of doubt, the amount of any Basis Adjustment resulting from an Exchange of one or more Units shall be determined without regard to any Pre-Exchange Transfer of such Units and as if any such Pre-Exchange Transfer had not occurred. The amount of any Basis Adjustment shall be determined using the Market Value at the time of the Exchange.

“**Basis Schedule**” has the meaning set forth in Section 2.1 of this Agreement.

“**Beneficial Owner**” means, with respect to any security, a Person who directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares: (i) voting power, which includes the power to vote, or to direct the voting of, such security; and/or (ii) investment power, which includes the power to dispose of, or to direct the disposition of, such security. The term “**Beneficial Ownership**” shall have a correlative meaning.

“**Blocker Exchange**” means any Exchange by a TRA Party effected through the contribution or transfer to the Corporate Taxpayer (including by way of merger) of an entity treated as a corporation for U.S. federal income tax purposes.

“**Board**” means the Board of Directors of the Corporate Taxpayer.

“**Business Day**” means each day that is not a Saturday, Sunday or other day on which banking institutions in New York, New York are authorized or required by law to close.

“**Change of Control**” means the occurrence of any of the following events:

(i) any Person or any “group” of Persons acting together that would constitute a “group” for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended or any successor provisions thereto (excluding (a) a corporation or other entity owned, directly or indirectly, by the stockholders of the Corporate Taxpayer in substantially the same proportions as their ownership of stock of the Corporate Taxpayer or (b) a group of Persons in which one or more members of the Founder Group or any of their Affiliates, directly or indirectly hold Beneficial Ownership of securities representing more than 50% of the total voting power held by such group) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporate Taxpayer representing more than 50% of the combined voting power of the Corporate Taxpayer’s then outstanding voting securities; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors of the Corporate Taxpayer then serving: individuals who, on the IPO Date, constitute the Board and any new director whose appointment or election by the Board or nomination for election by the Corporate Taxpayer’s stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the IPO Date or whose appointment, election or nomination for election was previously so approved or recommended by the directors referred to in this clause (ii); or

(iii) there is consummated a merger or consolidation of the Corporate Taxpayer with any other corporation or other entity, and, immediately after the consummation of such merger or consolidation, either (x) the Board immediately prior to the merger or consolidation does not constitute at least a majority of the board of directors of the company surviving the merger or consolidation or, if the surviving company is a Subsidiary, the ultimate parent thereof, or (y) the voting securities of the Corporate Taxpayer immediately prior to such merger or consolidation do not continue to represent or are not converted into more than 50% of the combined voting power of the then outstanding voting securities of the Person resulting from such merger or consolidation or, if the surviving company is a Subsidiary, the ultimate parent thereof; or

(iv) the stockholders of the Corporate Taxpayer approve a plan of complete liquidation or dissolution of the Corporate Taxpayer or there is consummated an agreement or series of related agreements for the sale, lease or other disposition, directly or indirectly, by the Corporate Taxpayer of all or substantially all of the Corporate Taxpayer’s assets, other than such sale or other disposition by the Corporate Taxpayer of all or substantially all of the Corporate Taxpayer’s assets to an entity at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Corporate Taxpayer in substantially the same proportions as their ownership of the Corporate Taxpayer immediately prior to such sale or other disposition.

Notwithstanding the foregoing, except with respect to clause (ii) and clause (iii)(x) above, a “Change of Control” shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the shares of the Corporate Taxpayer immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in, and voting

control over, and own substantially all of the shares of, an entity which owns, directly or indirectly, all or substantially all of the assets of the Corporate Taxpayer immediately following such transaction or series of transactions.

“**Class A Shares**” has the meaning set forth in the Recitals of this Agreement.

“**Code**” means the United States Internal Revenue Code of 1986, as amended.

“**Common Basis**” means the Tax basis of the Reference Property that is depreciable or amortizable for United States federal income tax purposes that, as of the IPO Date, was held by OpCo, or by any of its direct or indirect Subsidiaries treated as a partnership or disregarded entity (but only to the extent such indirect Subsidiaries are held through Subsidiaries treated as partnerships or disregarded entities) and that is Attributable to Units acquired by the Corporate Taxpayer upon an Exchange, including a Blocker Exchange. For the avoidance of doubt, Common Basis shall not include any Basis Adjustments.

“**Contribution TRA Parties**” means the persons listed on Exhibit B.

“**Contribution Agreements**” means the agreements entered into in connection with the IPO by the Corporate Taxpayer, certain of its subsidiaries, and certain holders of units of RSG, LLC, pursuant to which such Persons shall contribute units of RSG LLC to New RSG LLC in exchange for newly issued units of New RSG LLC, including any provision of the LLC Agreement that provides for such contributions.

“**Control**” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

“**Corporate Taxpayer**” means Ryan Specialty Holdings, Inc. (formerly Ryan Specialty Group Holdings, Inc.) and any successor corporation and shall include any company that is a member of any consolidated Tax Return of which Ryan Specialty Holdings, Inc. is a member.

“**Corporate Taxpayer Return**” means the United States federal income Tax Return of the Corporate Taxpayer filed with respect to Taxes of any Taxable Year, including any consolidated Tax Return.

“**Cumulative Net Realized Tax Benefit**” for a Taxable Year means the cumulative amount of Realized Tax Benefits for all Taxable Years of the Corporate Taxpayer, up to and including such Taxable Year net of the Realized Tax Detriment for the same period. The Realized Tax Benefit and Realized Tax Detriment for each Taxable Year shall be determined based on the most recent Tax Benefit Schedules or Amended Schedules, if any, in existence at the time of such determination; provided, that, for the avoidance of doubt, the computation of the Cumulative Net Realized Tax Benefit shall be adjusted to reflect any applicable Determination with respect to any Realized Tax Benefits and/or Realized Tax Detriments.

“**Determination**” shall have the meaning ascribed to such term in Section 1313(a) of the Code or any other event (including the execution of IRS Form 870-AD), including a

settlement with the applicable Taxing Authority, that establishes the amount of any liability for Tax.

“**Dispute**” has the meaning set forth in Section 7.8(a) of this Agreement.

“**Early Termination Date**” means the date an Early Termination Notice is deemed delivered pursuant to Section 4.1(a) or (b) for purposes of determining the Early Termination Payment.

“**Early Termination Effective Date**” means the date on which an Early Termination Schedule becomes binding pursuant to Section 4.2.

“**Early Termination Notice**” has the meaning set forth in Section 4.2 of this Agreement.

“**Early Termination Payment**” has the meaning set forth in Section 4.3(b) of this Agreement.

“**Early Termination Rate**” means the lesser of (i) 6.5% and (ii) LIBOR plus 100 basis points.

“**Early Termination Schedule**” has the meaning set forth in Section 4.2 of this Agreement.

“**Exchange**” has the meaning set forth in the Recitals of this Agreement.

“**Exchange Date**” means the date of any Exchange.

“**Exchanging Holder**” has the meaning set forth in the Recitals of this Agreement.

“**Expert**” has the meaning set forth in Section 7.9 of this Agreement.

“**Family Group**” means, with respect to a Person who is an individual, (i) such individual's spouse and descendants (whether natural or adopted) (collectively, for purposes of this definition, “relatives”), (ii) such individual's executor or personal representative, (iii) any trust, the trustee of which is such individual or such individual's executor or personal representative or such individual's spouse and which at all times is and remains solely for the benefit of such individual and/or such individual's relatives and (iv) any corporation, limited partnership, limited liability company or other tax flow-through entity the governing instruments of which provide that such individual or such individual's spouse, executor or personal representative shall have the exclusive, nontransferable power to direct the management and policies of such entity and of which the sole record and beneficial owners of stock, partnership interests, membership interests or any other equity interests are limited to such individual, such individual's relatives and/or the trusts described in clause (iii) above.

“**Founder**” means Patrick G. Ryan.

“**Founder Group**” means Founder, members of the Founder’s Family Group and Founder’s Affiliates.

“**Founder Majority**” means Founder; provided that upon the death of Founder (or at such other time approved in writing by Founder), it shall mean the holders of a majority of the Units owned by the Founder Group.

“**Future TRAs**” has the meaning set forth in Section 5.1 of this Agreement.

“**Hypothetical Tax Liability**” means, with respect to any Taxable Year, the liability for Taxes of (i) the Corporate Taxpayer and (ii) without duplication, the portion of any liability for U.S. federal income taxes imposed directly on OpCo (and OpCo’s applicable Subsidiaries) under Section 6225 or any similar provision of the Code that is allocable to the Corporate Taxpayer under Section 704 of the Code and/or the Partnership Audit Rules, in each case using the same methods, elections, conventions and similar practices used on the relevant Corporate Taxpayer Return, but (a) using the Non-Stepped Up Tax Basis as reflected on the Basis Schedule including amendments thereto for the Taxable Year, (b) excluding any Remedial Allocations and (c) excluding any deduction attributable to Imputed Interest attributable to any payment made under this Agreement for the Taxable Year; provided, that Hypothetical Tax Liability shall be calculated (x) excluding deductions of state and local income taxes for U.S. federal income tax purposes and (y) assuming the liability for state and local Taxes (but not, for the avoidance of doubt, United States federal taxes) shall be equal to the product of (i) the amount of the U.S. federal taxable income or gain calculated for purposes of this definition of Hypothetical Tax Liability for such Taxable Year multiplied by (ii) the Assumed Rate. For the avoidance of doubt, Hypothetical Tax Liability shall be determined without taking into account the carryover or carryback of any Tax item (or portions thereof) that is attributable to a Tax Attribute as applicable (including, for the avoidance of doubt, any deductions carried forward or deferred by reason of Code Section 163(j) or otherwise).

“**Imputed Interest**” in respect of a TRA Party shall mean any interest imputed under Section 1272, 1274, 7872 or 483 or other provision of the Code with respect to the Corporate Taxpayer’s payment obligations in respect of such TRA Party under this Agreement.

“**Interest Amount**” has the meaning set forth in Section 3.1(b) of this Agreement.

“**IPO**” means the initial public offering of Class A Shares by the Corporate Taxpayer (including any greenshoe related to such initial public offering).

“**IPO Date**” means the initial closing date of the IPO.

“**IRS**” means the United States Internal Revenue Service.

“**Joinder**” has the meaning set forth in Section 7.6(a) of this Agreement.

“**LIBOR**” means during any period, the rate which appears on the Bloomberg Page BBAM1 (or on such other substitute Bloomberg page that displays rates at which U.S. dollar deposits are offered by leading banks in the London interbank deposit market), or the rate which is quoted by another source selected by the Corporate Taxpayer as an authorized information

vendor for the purpose of displaying rates at which U.S. dollar deposits are offered by leading banks in the London interbank deposit market (an “**Alternate Source**”), at approximately 11:00 a.m., London time, two (2) Business Days prior to the first day of such period as the London interbank offered rate for U.S. dollars having a borrowing date and a maturity comparable to such period; provided, that at no time shall LIBOR be less than 0%. At the earliest of (i) the date that LIBOR is no longer a widely recognized benchmark rate for newly originated loans in the U.S. loan market in U.S. dollars, (ii) June 30, 2023 and (iii) the date on which the TRA Party Representative and Corporate Taxpayer mutually agree that it is appropriate to establish a replacement interest rate (a “**Replacement Rate**”), then the Corporate Taxpayer shall (as determined by the Corporate Taxpayer to be consistent with market practice generally and subject to the prior written consent of the TRA Party Representative, which consent shall not be unreasonably withheld, conditioned or delayed), establish a Replacement Rate, in which case, the Replacement Rate shall, subject to the next two sentences, replace LIBOR for all purposes under this Agreement; provided that unless otherwise mutually agreed by the TRA Party Representative and the Corporate Taxpayer, the Replacement Rate shall be SOFR. In connection with the establishment and application of the Replacement Rate, this Agreement shall be amended solely with the consent of the Corporate Taxpayer and OpCo, as may be necessary or appropriate, in the reasonable judgment of the Corporate Taxpayer, to effect the provisions of this section. The Replacement Rate shall be applied in a manner consistent with market practice; provided that, in each case, to the extent such market practice is not administratively feasible for the Corporate Taxpayer, such Replacement Rate shall be applied as otherwise reasonably determined by the Corporate Taxpayer.

“**LLC Agreement**” means the Amended and Restated Limited Liability Company Agreement of New RSG LLC, as such agreement may be further amended, restated, supplemented and/or otherwise modified from time to time.

“**LLC Unit Holder**” means holders of Units other than the Corporate Taxpayer.

“**Market Value**” shall mean, with respect to an Exchange, the value of the Class A Shares on the applicable Exchange Date used by the Corporate Taxpayer in its U.S. federal income tax reporting with respect to such Exchange.

“**Material Objection Notice**” has the meaning set forth in Section 4.2 of this Agreement.

“**Net Tax Benefit**” has the meaning set forth in Section 3.1(b) of this Agreement.

“**New RSG LLC**” shall mean New Ryan Specialty, LLC, a Delaware limited liability company.

“**Non-Stepped Up Tax Basis**” means, with respect to any Reference Property, the Tax basis that such property would have had at such time if no Basis Adjustments had been made and if the Common Basis was equal to zero.

“**Objection Notice**” has the meaning set forth in Section 2.3(a) of this Agreement.

“**Onex Parties**” shall mean the persons identified as Onex Parties in Exhibit B.

“**Onex Representative**” means the person identified as the Onex Representative in Exhibit B.

“**OpCo**” means (i) prior to the Post-IPO Restructuring, RSG LLC and (ii) following the Post-IPO Restructuring, New RSG LLC.

“**Partnership Audit Rules**” means the centralized partnership audit regime enacted by the Bipartisan Budget Act of 2015, as set forth in Sections 6221 through 6241 of the Code and any Treasury Regulations and administrative guidance thereunder.

“**Person**” means any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity or other entity.

“**Post-IPO Restructuring**” means the consummation of the transactions contemplated by the Contribution Agreements.

“**Pre-Adjustment Net Tax Benefit**” has the meaning set forth in Section 3.1(b) of this Agreement.

“**Pre-Exchange Transfer**” means any transfer (including upon the death of an LLC Unit Holder) or distribution in respect of one or more Units (i) that occurs prior to an Exchange of such Units, and (ii) to which Section 734(b) or 743(b) of the Code applies.

“**Realized Tax Benefit**” means, for a Taxable Year, the excess, if any, of the Hypothetical Tax Liability over the Actual Tax Liability of (i) the Corporate Taxpayer and (ii) without duplication, OpCo (and OpCo’s applicable Subsidiaries), but only with respect to Taxes imposed on OpCo (and OpCo’s applicable Subsidiaries) that are allocable to the Corporate Taxpayer under Section 704 of the Code and/or the Partnership Audit Rules. If all or a portion of the Actual Tax Liability for the Taxable Year arises as a result of an audit by a Taxing Authority of any Taxable Year, such liability shall not be included in determining the Realized Tax Benefit unless and until there has been a Determination.

“**Realized Tax Detriment**” means, for a Taxable Year, the excess, if any, of the Actual Tax Liability over the Hypothetical Tax Liability of (i) the Corporate Taxpayer and (ii) without duplication, OpCo (and OpCo’s applicable Subsidiaries), but only with respect to Taxes imposed on OpCo (and OpCo’s applicable Subsidiaries) that are allocable to the Corporate Taxpayer under Section 704 of the Code and/or the Partnership Audit Rules. If all or a portion of the Actual Tax Liability for the Taxable Year arises as a result of an audit by a Taxing Authority of any Taxable Year, such liability shall not be included in determining the Realized Tax Detriment unless and until there has been a Determination.

“**Reconciliation Dispute**” has the meaning set forth in Section 7.9 of this Agreement.

“**Reconciliation Procedures**” has the meaning set forth in Section 2.3(a) of this Agreement.

“**Reference Property**” means property (as determined for U.S. federal income tax purposes) that is held by OpCo, or by any of its direct or indirect Subsidiaries treated as a partnership or disregarded entity (but only to the extent such indirect Subsidiaries are held through Subsidiaries treated as partnerships or disregarded entities) for purposes of the applicable Tax, at the time of an Exchange. Reference Property also includes any property that is “substituted basis property” under Section 7701(a)(42) of the Code with respect to Reference Property. For the avoidance of doubt, Reference Property does not include property held directly or indirectly by a Subsidiary treated as a corporation for U.S. federal income tax purposes.

“**Relevant Governmental Body**” means the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or any successor thereto.

“**Remedial Allocations**” means the allocations made under Section 704(c) of the Code (including “remedial items” and “offsetting remedial items”) in respect of the Units transferred to the Corporate Taxpayer upon an Exchange using the “remedial allocation method” of Treasury Regulations Section 1.704-3(d) with respect to differences between book basis and tax basis (calculated for purposes of Section 704(c) of the Code).

“**RSG LLC**” has the meaning set forth in the Preamble of this Agreement.

“**Schedule**” means any of the following: (i) a Basis Schedule; (ii) a Tax Benefit Schedule; or (iii) the Early Termination Schedule.

“**Section 734(b) Exchange**” means any Exchange that results in a Basis Adjustment under Section 734(b) of the Code.

“**Senior Obligations**” has the meaning set forth in Section 5.1 of this Agreement.

“**SOFR**” with respect to any Business Day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark (or a successor administrator) on the Federal Reserve Bank of New York’s website (or any successor source) at approximately 8:00 a.m. (New York City time) on the immediately succeeding Business Day and, in each case, that has been selected or recommended by the Relevant Governmental Body.

“**Subsidiaries**” means, with respect to any Person, as of any date of determination, any other Person as to which such Person, owns, directly or indirectly, or otherwise controls more than 50% of the voting power or other similar interests or the sole general partner interest or managing member or similar interest of such Person.

“**Subsidiary Stock**” means stock or other equity interest in a Subsidiary of OpCo that is treated as a corporation for U.S. federal income tax purposes.

“**Tax Attributes**” has the meaning set forth in the Recitals of this Agreement.

“**Tax Benefit Payment**” has the meaning set forth in Section 3.1(b) of this Agreement.

“**Tax Benefit Schedule**” has the meaning set forth in Section 2.2 of this Agreement.

“**Tax Return**” means any return, declaration, report or similar statement filed or required to be filed with respect to Taxes (including any attached schedules), including, without limitation, any information return, claim for refund, amended return and declaration of estimated Tax.

“**Taxable Year**” means a taxable year of the Corporate Taxpayer as defined in Section 441(b) of the Code or comparable section of state or local Tax law, as applicable (and, therefore, for the avoidance of doubt, may include a period of less than twelve (12) months for which a Tax Return is made), ending on or after the IPO Date.

“**Taxes**” means any and all United States federal, state, local and foreign taxes, assessments or similar charges that are based on or measured with respect to net income or profits, and any interest related to such Tax.

“**Taxing Authority**” means any domestic, federal, national, state, county or municipal or other local government, any subdivision, agency, commission or authority thereof, or any quasi-governmental body exercising any taxing authority or any other authority exercising Tax regulatory authority.

“**TRA Party**” has the meaning set forth in the Preamble to this Agreement.

“**TRA Party Representative**” means Founder or such other Person designated by the Founder or the Founder Majority.

“**Treasury Regulations**” means the final, temporary and proposed regulations under the Code promulgated from time to time (including corresponding provisions and succeeding provisions) as in effect for the relevant taxable period.

“**Units**” has the meaning set forth in the Recitals of this Agreement.

“**Valuation Assumptions**” shall mean, as of an Early Termination Date, the assumptions that in each Taxable Year ending on or after such Early Termination Date, (1) the Corporate Taxpayer will have taxable income sufficient to fully utilize the Tax items arising from the Tax Attributes (other than any items addressed in clause (2) below) during such Taxable Year or future Taxable Years (including, for the avoidance of doubt, Basis Adjustments and Imputed Interest that would result from future payments made under this Agreement that would be paid in accordance with the Valuation Assumptions) in which such deductions would become available, (2) loss carryovers generated by deductions arising from any Tax Attributes or Imputed Interest that are available as of the date of such Early Termination Date will be used by the Corporate Taxpayer on a pro rata basis from the date of such Early Termination Date through the earlier of (x) the scheduled expiration date under applicable Tax law of such loss carryovers or (y) the fifth (5th) anniversary of the Early Termination Date, (3) the United States federal income tax rates that will be in effect for each such Taxable Year will be those specified for each such Taxable Year by

the Code and other law as in effect on the Early Termination Date, (4) any non-amortizable assets (other than any Subsidiary Stock) will be disposed of on the fifteenth (15th) anniversary of the applicable Exchange and any cash equivalents will be disposed of twelve (12) months following the Early Termination Date, unless such date has passed in which case such assets will be deemed disposed of on the fifth (5th) anniversary of the Early Termination Date; provided, that in the event of a Change of Control, such non-amortizable assets shall be deemed disposed of at the time of sale (if applicable) of the relevant asset in the Change of Control (if earlier than such fifteenth (15th) anniversary), (5) any Subsidiary Stock will not be deemed to be disposed unless actually disposed, and (6) if, at the Early Termination Date, there are Units that have not been Exchanged, then each such Unit shall be deemed Exchanged for the Market Value of the Class A Shares that would be transferred if the Exchange occurred on the Early Termination Date.

ARTICLE II

DETERMINATION OF CERTAIN REALIZED TAX BENEFIT

Section 2.1 Basis Schedule. Within ninety (90) calendar days after the due date (including extensions) of IRS Form 1120 (or any successor form) of the Corporate Taxpayer for each relevant Taxable Year, the Corporate Taxpayer shall deliver (a) to the TRA Party Representative a schedule (the “**Basis Schedule**”) that shows, in reasonable detail necessary to perform the calculations required by this Agreement, (i) the Common Basis of the Reference Property in respect of each TRA Party, if any, (ii) the Non-Stepped Up Tax Basis of the Reference Property in respect of each TRA Party as of each applicable Exchange Date, if any, (iii) the Basis Adjustment with respect to the Reference Property in respect of each TRA Party as a result of the Exchanges effected in such Taxable Year or any prior Taxable Year by each TRA Party, if any, calculated in the aggregate, (iv) the period (or periods) over which the Common Basis and each Basis Adjustment in respect of each TRA Party is amortizable and/or depreciable (or otherwise deductible or available as an offset against taxable income) and (b) to the Onex Representative, the portion of such Basis Schedule relating to the Onex Parties. All costs and expenses incurred in connection with the provision and preparation of the Basis Schedules and Tax Benefit Schedules under this Agreement shall be borne by OpCo.

Section 2.2 Tax Benefit Schedule.

(a) Tax Benefit Schedule. Within ninety (90) calendar days after the due date (including extensions) of IRS Form 1120 (or any successor form) of the Corporate Taxpayer for any Taxable Year in which there is a Realized Tax Benefit or a Realized Tax Detriment Attributable to a TRA Party, the Corporate Taxpayer shall provide (a) to the TRA Party Representative a schedule showing, in reasonable detail, the calculation of the Realized Tax Benefit and Tax Benefit Payment, or the Realized Tax Detriment, as applicable, in respect of such TRA Party for such Taxable Year (a “**Tax Benefit Schedule**”) and (b) to the Onex Representative, the portion of such Tax Benefit Schedule relating to the Onex Parties. Each Tax Benefit Schedule will become final as provided in Section 2.3(a) and may be amended as provided in Section 2.3(b) (subject to the procedures set forth in Section 2.3(b)).

(b) Applicable Principles.

(i) General. Subject to Section 3.3, the Realized Tax Benefit (or the Realized Tax Detriment) for each Taxable Year is intended to measure the actual decrease (or increase) in the liability for Taxes of the Corporate Taxpayer for such Taxable Year attributable to the Tax Attributes, determined using a “with and without” methodology. Carryovers or carrybacks of any Tax item attributable to any of the Tax Attributes shall be considered to be subject to the rules of the Code and the Treasury Regulations governing the use, limitation and expiration of carryovers or carrybacks of the relevant type. If a carryover or carryback of any Tax item includes a portion that is attributable to any Tax Attribute and another portion that is not, such portions shall be considered to be used in accordance with the “with and without” methodology. The parties agree that (A) all Tax Benefit Payments (other than the portion of the Tax Benefit Payments treated as Imputed Interest) attributable to the Common Basis or Basis Adjustments will, except in the case of a Blocker Exchange, be treated as subsequent upward purchase price adjustments that have the effect of creating additional Basis Adjustments to Reference Property for the Corporate Taxpayer in the year of payment to the extent permitted by applicable law (as determined in good faith by the Corporate Taxpayer), (B) as a result, such additional Basis Adjustments will be incorporated into the current year calculation and into future year calculations, as appropriate, and (C) the Actual Tax Liability will take into account the deduction of the portion of the Tax Benefit Payment that must be accounted for as Imputed Interest.

(ii) Applicable Principles of Section 734(b) Exchanges. Notwithstanding any provisions to the contrary in this Agreement, the foregoing treatment set out in the last sentence of Section 2.2(b)(i) shall not be required to apply to payments hereunder to an Exchanging Holder in respect of a Section 734(b) Exchange by such Exchanging Holder. For the avoidance of doubt, payments made under this Agreement relating to a Section 734(b) Exchange shall not be treated as resulting in a Basis Adjustment to the extent such payments are treated as Imputed Interest. The parties intend that (A) an Exchanging Holder that has made a Section 734(b) Exchange shall, with respect to the Basis Adjustment resulting from such Section 734(b) Exchange or any payments hereunder in respect of such Section 734(b) Exchange, be entitled to Tax Benefit Payments attributable to such Basis Adjustments only to the extent such Basis Adjustments are allocable to the Corporate Taxpayer following such Section 734(b) Exchange (without taking into account any concurrent or subsequent Exchanges) and (B) if, as a result of a subsequent Exchange, an increased portion of the Basis Adjustments resulting from such Section 734(b) Exchange or any payments hereunder in respect of such Section 734(b) Exchange becomes allocable to the Corporate Taxpayer, then the LLC Unit Holder that makes such subsequent Exchange shall be entitled to a Tax Benefit Payment calculated in respect of such increased portion. For purposes of this Agreement, such Basis Adjustments resulting from subsequent Section 734(b) Exchanges as described in (B) in the previous sentence shall be reported and treated as Common Basis for purposes of this Agreement.

Section 2.3 Procedures, Amendments.

(a) Procedure. Every time the Corporate Taxpayer delivers to the TRA Party Representative an applicable Schedule under this Agreement, including any Amended Schedule delivered pursuant to Section 2.3(b), and any Early Termination Schedule or amended Early Termination Schedule, the Corporate Taxpayer shall also (x) deliver to the TRA Party

Representative supporting schedules and work papers, as determined by the Corporate Taxpayer or as reasonably requested by the TRA Party Representative, providing reasonable detail regarding data and calculations that were relevant for purposes of preparing the Schedule (y) deliver to the Onex Representative the portion of the materials described in clause (x) above to the extent related to the Onex Parties, and (z) allow the TRA Party Representative and the Onex Representative reasonable access at no cost to the appropriate representatives at the Corporate Taxpayer, as determined by the Corporate Taxpayer or as reasonably requested by the TRA Party Representative or the Onex Representative, in connection with a review of such Schedule (or, in the case of the Onex Representative, the portion of such Schedule relating to the Onex Parties). Without limiting the generality of the preceding sentence, the Corporate Taxpayer shall ensure that any Tax Benefit Schedule that is delivered to the TRA Party Representative (and the portion of any such Schedule delivered to the Onex Representative), along with any supporting schedules and work papers, provides a reasonably detailed presentation of the calculation of the Actual Tax Liability and the Hypothetical Tax Liability and identifies any material assumptions or operating procedures or principles that were used for purposes of such calculations. An applicable Schedule or amendment thereto shall become final and binding on all parties thirty (30) calendar days from the date on which the TRA Party Representative is treated as having received the applicable Schedule or amendment thereto under Section 7.1 unless the TRA Party Representative (i) within thirty (30) calendar days from such date provides the Corporate Taxpayer with written notice of a material objection to such Schedule (“**Objection Notice**”) made in good faith or (ii) provides a written waiver of such right of any Objection Notice within the period described in clause (i) above, in which case such Schedule or amendment thereto becomes binding on the date the waiver is received by the Corporate Taxpayer. If the Corporate Taxpayer and the TRA Party Representative, for any reason, are unable to successfully resolve the issues raised in the Objection Notice within thirty (30) calendar days after receipt by the Corporate Taxpayer of an Objection Notice, the Corporate Taxpayer and the TRA Party Representative shall employ the reconciliation procedures as described in Section 7.9 of this Agreement (the “**Reconciliation Procedures**”).

(b) Amended Schedule. The applicable Schedule for any Taxable Year may be amended from time to time by the Corporate Taxpayer (i) in connection with a Determination affecting such Schedule, (ii) to correct material inaccuracies in the Schedule identified as a result of the receipt of additional factual information relating to a Taxable Year after the date the Schedule was provided to the TRA Party Representative, (iii) to comply with an Expert’s determination under the Reconciliation Procedures, (iv) to reflect a change in the Realized Tax Benefit, or the Realized Tax Detriment for such Taxable Year attributable to a carryback or carryforward of a loss or other Tax item to such Taxable Year, (v) to reflect a change in the Realized Tax Benefit or the Realized Tax Detriment for such Taxable Year attributable to an amended Tax Return filed for such Taxable Year or (vi) to adjust an applicable TRA Party’s Basis Schedule to take into account payments made pursuant to this Agreement (any such Schedule, an “**Amended Schedule**”). The Corporate Taxpayer shall provide (a) an Amended Schedule to the TRA Party Representative and (b) the portion of such Amended Schedule that relates to the Onex Parties to the Onex Representative, in each case, when the Corporate Taxpayer delivers the Basis Schedule for the following taxable year.

ARTICLE III
TAX BENEFIT PAYMENTS

Section 3.1 Payments.

(a) **Payments.** Within five (5) Business Days after a Tax Benefit Schedule delivered to the TRA Party Representative becomes final in accordance with **Section 2.3(a)** and **Section 7.9**, if applicable, the Corporate Taxpayer shall pay each TRA Party for such Taxable Year the Tax Benefit Payment determined pursuant to **Section 3.1(b)** that is Attributable to each TRA Party. Each such Tax Benefit Payment shall be made by wire transfer of immediately available funds to the bank account previously designated by such TRA Party to the Corporate Taxpayer or as otherwise agreed by the Corporate Taxpayer and such TRA Party. For the avoidance of doubt, (x) no Tax Benefit Payment shall be made in respect of estimated Tax payments, including, without limitation, United States federal estimated income Tax payments and (y) the payments provided for pursuant to the above sentence shall be computed separately for each TRA Party. Notwithstanding anything herein to the contrary, unless otherwise specified by a TRA Party in the election of Exchange, delivered in accordance with the terms of the LLC Agreement, for any Exchange, the aggregate Tax Benefit Payments payable under this Agreement in respect of such Exchange (other than amounts accounted for as interest under the Code) shall not exceed 60% of the fair market value of the total consideration received in connection with such Exchange.

(b) A “**Tax Benefit Payment**” in respect of a TRA Party for a Taxable Year means an amount, not less than zero, equal to the Net Tax Benefit that is Attributable to such TRA Party and the Interest Amount with respect thereto. For the avoidance of doubt, for tax purposes, the Interest Amount shall not be treated as interest, but instead, shall be treated as additional consideration in the applicable transaction, unless otherwise required by law. Subject to **Section 3.3**, the “**Net Tax Benefit**” for a Taxable Year shall be an amount equal to the excess, if any, of 85% of the Cumulative Net Realized Tax Benefit as of the end of such Taxable Year, over the total amount of payments previously made under the first sentence of **Section 3.1(a)** (excluding payments attributable to Interest Amounts) (such amount, the “**Pre-Adjustment Net Tax Benefit**”); **provided**, for the avoidance of doubt, that no such recipient shall be required to return any portion of any previously made Tax Benefit Payment. Notwithstanding anything to the contrary in this Agreement, the parties acknowledge and agree that the determination of the portion of the Tax Benefit Payment to be paid to a TRA Party under this Agreement with respect to state and local taxes shall not require separate “with and without” calculations in respect of each applicable state and local tax jurisdiction but rather will be based on the United States federal taxable income or gain for such taxable year reported on the Corporate Taxpayer’s IRS Form 1120 (or any successor form) and the Assumed Rate. The “**Interest Amount**” shall equal the interest on the Net Tax Benefit calculated at the Agreed Rate from the due date (without extensions) for filing IRS Form 1120 (or any successor form) of the Corporate Taxpayer with respect to Taxes for such Taxable Year until the payment date under **Section 3.1(a)**. Notwithstanding the foregoing, for each Taxable Year ending on or after the date of a Change of Control that occurs after the IPO Date, all Tax Benefit Payments shall be calculated by utilizing Valuation Assumptions (1), (2), (4) and (5), substituting in each case the terms “date of a Change of Control” for an “Early Termination Date.”

Section 3.2 No Duplicative Payments. It is intended that the provisions of this Agreement will not result in duplicative payment of any amount (including interest) required under this Agreement. The provisions of this Agreement shall be construed in the appropriate manner to ensure such intentions are realized.

Section 3.3 Pro Rata Payments. Notwithstanding anything in Section 3.1 to the contrary, to the extent that the aggregate Realized Tax Benefit of the Corporate Taxpayer with respect to the Tax Attributes is limited in a particular Taxable Year because the Corporate Taxpayer does not have sufficient taxable income, the Net Tax Benefit of the Corporate Taxpayer shall be allocated among all parties eligible for Tax Benefit Payments under this Agreement in proportion to the amount of Net Tax Benefit that would have been Attributable to each such party if the Corporate Taxpayer had sufficient taxable income so that there were no such limitation. To the extent any part of the limitation on the Realized Tax Benefit is allocated in a manner that differs from the order prescribed in the applicable rules of the Code and the Treasury Regulations regarding the utilization, or deemed utilization, of such Tax items, appropriate adjustments, consistent with the principles of this Section 3.3, shall be made in future Taxable Years to take into account such differing allocation.

Section 3.4 Payment Ordering. If for any reason the Corporate Taxpayer does not fully satisfy its payment obligations to make all Tax Benefit Payments due under this Agreement in respect of a particular Taxable Year, then the Corporate Taxpayer and the TRA Parties agree that (i) Tax Benefit Payments for such Taxable Year shall be allocated to all parties eligible for Tax Benefit Payments under this Agreement in proportion to the amounts of Net Tax Benefit, respectively, that would have been Attributable to each TRA Party if the Corporate Taxpayer had sufficient cash available to make such Tax Benefit Payments (taking into account the operation of Section 3.3) and (ii) no Tax Benefit Payments shall be made in respect of any Taxable Year until all Tax Benefit Payments to all TRA Parties in respect of all prior Taxable Years have been made in full.

Section 3.5 Excess Payments. To the extent the Corporate Taxpayer makes a payment to a TRA Party in respect of a particular Taxable Year under Section 3.1(a) of this Agreement (taking into account Section 3.3 and Section 3.4) in an amount in excess of the amount of such payment that should have been made to such TRA Party in respect of such Taxable Year, then (i) such TRA Party shall not receive further payments under Section 3.1(a) until such TRA Party has foregone an amount of payments equal to such excess and (ii) the Corporate Taxpayer will pay the amount of such TRA Party's foregone payments to the other Persons to whom a payment is due under this Agreement in a manner such that each such Person to whom a payment is due under this Agreement, to the maximum extent possible, receives aggregate payments under Section 3.1(a) (taking into account Section 3.3 and Section 3.4) in the amount it would have received if there had been no excess payment to such TRA Party.

ARTICLE IV
TERMINATION

Section 4.1 Early Termination of Agreement; Breach of Agreement.

(a) In the event that the Corporate Taxpayer (1) breaches any of its material obligations under this Agreement, whether as a result of failure to make any payment when due, failure to honor any other material obligation required hereunder or by operation of law as a result of the rejection of this Agreement in a case commenced under the Bankruptcy Code or otherwise or (2)(A) shall commence any case, proceeding or other action (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate a bankruptcy or insolvency, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts or (ii) seeking an appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or it shall make a general assignment for the benefit of creditors or (B) there shall be commenced against the Corporate Taxpayer any case, proceeding or other action of the nature referred to in clause (A) above that remains undismissed or undischarged for a period of sixty (60) calendar days, all obligations hereunder shall be automatically accelerated and shall be immediately due and payable, and such obligations shall be calculated as if an Early Termination Notice had been delivered on the date of such breach and shall include, but not be limited to, (1) the Early Termination Payments calculated as if an Early Termination Notice had been delivered on the date of a breach, (2) any Tax Benefit Payment due and payable and that remains unpaid as of the date of a breach, and (3) any Tax Benefit Payment in respect of any TRA Party due for the Taxable Year ending with or including the date of a breach; provided that procedures similar to the procedures of Section 4.2 shall apply with respect to the determination of the amount payable by the Corporate Taxpayer pursuant to this sentence. Notwithstanding the foregoing (other than as set forth in subsection (2) above), in the event that the Corporate Taxpayer breaches this Agreement, each TRA Party shall be entitled to elect to receive the amounts set forth in clauses (1), (2) and (3) above or to seek specific performance of the terms hereof. The parties agree that the failure to make any payment due pursuant to this Agreement within three (3) months of the date such payment is due shall be deemed to be a breach of a material obligation under this Agreement for all purposes of this Agreement, and that it will not be considered to be a breach of a material obligation under this Agreement to make a payment due pursuant to this Agreement within three (3) months of the date such payment is due. Notwithstanding anything in this Agreement to the contrary, it shall not be a breach of a material obligation of this Agreement if the Corporate Taxpayer fails to make any Tax Benefit Payment when due to the extent that the Corporate Taxpayer has insufficient funds to make such payment; provided, (i) the Corporate Taxpayer has used reasonable efforts to obtain such funds and (ii) that the interest provisions of Section 5.2 shall apply to such late payment (unless the Corporate Taxpayer does not have sufficient funds to make such payment as a result of limitations imposed by any Senior Obligations, in which case Section 5.2 shall apply); provided further, for the avoidance of doubt, the last sentence of this Section 4.1(a) shall not apply to any payments due pursuant to an election by a TRA Party for the acceleration upon a Change of Control contemplated by Section 4.1(b).

(b) In the event of a Change of Control, all payment obligations hereunder shall be accelerated and such obligations shall be calculated as if an Early Termination Notice had been delivered on the closing date of the Change of Control and shall include, but not be limited to the following: (i) payment of the Early Termination Payment calculated as if an Early Termination Notice had been delivered on the effective date of a Change of Control, (ii) payment of any Tax Benefit Payment previously due and payable but unpaid as of the Early Termination Notice, and (iii) except to the extent included in the Early Termination Payment or if included as a payment under clause (ii) of this Section 4.1(b), payment of any Tax Benefit Payment due for any Taxable Year ending prior to, with or including the effective date of a Change of Control. In the event of a Change of Control, the Early Termination Payment shall be calculated utilizing the Valuation Assumptions and by substituting in each case the terms “the closing date of a Change of Control” for an “Early Termination Date.”

Section 4.2 Early Termination. In the event the Corporate Taxpayer is required to make a payment pursuant to Section 4.1 above, the Corporate Taxpayer shall promptly thereafter deliver to the TRA Party Representative a notice (the “**Early Termination Notice**”) and a schedule (the “**Early Termination Schedule**”) showing in reasonable detail the calculation of the Early Termination Payment(s) due for each TRA Party. Concurrently with the delivery of the Early Termination Notice and the Early Termination Schedule to the TRA Party Representative pursuant to this Section 4.2, the Corporate Taxpayer shall deliver to the Onex Representative an Early Termination Notice and such portion of the Early Termination Schedule that relates to the Onex Parties. Each Early Termination Schedule shall become final and binding on all parties thirty (30) calendar days from the first date on which the TRA Party Representative is treated as having received such Schedule or amendment thereto under Section 7.1 unless the TRA Party Representative (i) within thirty (30) calendar days after such date provides the Corporate Taxpayer with notice of a material objection to such Schedule made in good faith (“**Material Objection Notice**”) or (ii) provides a written waiver of such right of a Material Objection Notice within the period described in clause (i) above, in which case such Schedule becomes binding on the date the waiver is received by the Corporate Taxpayer. If the Corporate Taxpayer and the TRA Party Representative, for any reason, are unable to successfully resolve the issues raised in such notice within thirty (30) calendar days after receipt by the Corporate Taxpayer of the Material Objection Notice, the Corporate Taxpayer and the TRA Party Representative shall employ the Reconciliation Procedures in which case such Schedule becomes binding ten (10) calendar days after the conclusion of the Reconciliation Procedures.

Section 4.3 Payment upon Early Termination.

(a) Within three (3) calendar days after an Early Termination Effective Date, the Corporate Taxpayer shall pay to each TRA Party an amount equal to the Early Termination Payment in respect of such TRA Party. Such payment shall be made by wire transfer of immediately available funds to a bank account or accounts designated by such TRA Party or as otherwise agreed by the Corporate Taxpayer and such TRA Party or, in the absence of such designation or agreement, by check mailed to the last mailing address provided by such TRA Party to the Corporate Taxpayer.

(b) “**Early Termination Payment**” in respect of a TRA Party shall equal the present value, discounted at the Early Termination Rate as of the applicable Early Termination

Effective Date, of all Tax Benefit Payments in respect of such TRA Party that would be required to be paid by the Corporate Taxpayer beginning from the Early Termination Date and assuming that the Valuation Assumptions in respect of such TRA Party are applied and that each Tax Benefit Payment for the relevant Taxable Year would be due and payable on the due date (without extensions) under applicable law as of the Early Termination Effective Date for filing of IRS Form 1120 (or any successor form) of the Corporate Taxpayer.

ARTICLE V
SUBORDINATION AND LATE PAYMENTS

Section 5.1 Subordination. Notwithstanding any other provision of this Agreement to the contrary, any payments required to be made by the Corporate Taxpayer to the TRA Parties under this Agreement shall rank subordinate and junior in right of payment to any principal, interest or other amounts due and payable in respect of any obligations in respect of indebtedness for borrowed money of the Corporate Taxpayer and its Subsidiaries (“**Senior Obligations**”) and shall rank *pari passu* in right of payment with all current or future unsecured obligations of the Corporate Taxpayer that are not Senior Obligations. To the extent that any payment under this Agreement is not permitted to be made at the time payment is due as a result of this Section 5.1 and the terms of agreements governing Senior Obligations, such payment obligation nevertheless shall accrue for the benefit of TRA Parties and the Corporate Taxpayer shall make such payments at the first opportunity that such payments are permitted to be made in accordance with the terms of the Senior Obligations. Notwithstanding any other provision of this Agreement to the contrary, to the extent that the Corporate Taxpayer or any of its Affiliates enters into future Tax receivable or other similar agreements (“**Future TRAs**”), the Corporate Taxpayer shall ensure that the terms of any such Future TRA shall provide that the Tax Attributes subject to this Agreement are considered senior in priority to any Tax attributes subject to any such Future TRA for purposes of calculating the amount and timing of payments under any such Future TRA.

Section 5.2 Late Payments by the Corporate Taxpayer. Subject to the proviso in the last sentence of Section 4.1(a), the amount of all or any portion of any Tax Benefit Payment or Early Termination Payment not made to the TRA Parties when due under the terms of this Agreement, whether as a result of Section 5.1 or otherwise, shall be payable together with any interest thereon, computed at the Agreed Rate and commencing from the date on which such Tax Benefit Payment or Early Termination Payment was first due and payable to the date of actual payment.

ARTICLE VI
NO DISPUTES; CONSISTENCY; COOPERATION

Section 6.1 Participation in the Corporate Taxpayer’s and OpCo’s Tax Matters. Except as otherwise provided herein, the Corporate Taxpayer shall have full responsibility for, and sole discretion over, all Tax matters concerning the Corporate Taxpayer and OpCo, including without limitation the preparation, filing or amending of any Tax Return and defending, contesting or settling any issue pertaining to Taxes. Notwithstanding the foregoing, the Corporate Taxpayer shall notify the TRA Party Representative of, and keep the TRA Party Representative reasonably

informed with respect to, the portion of any audit of the Corporate Taxpayer and OpCo by a Taxing Authority the outcome of which is reasonably expected to materially affect the rights and obligations of the TRA Parties under this Agreement, and shall provide the TRA Party Representative reasonable opportunity to provide information and other input to the Corporate Taxpayer, OpCo and their respective advisors concerning the conduct of any such portion of such audit; provided, however, that the Corporate Taxpayer and OpCo shall not be required to take any action that is inconsistent with any provision of the LLC Agreement.

Section 6.2 Consistency. The Corporate Taxpayer and the TRA Parties agree to report and cause to be reported for all purposes, including United States federal, state and local tax purposes and financial reporting purposes, all Tax-related items (including, without limitation, the Basis Adjustments and each Tax Benefit Payment) in a manner consistent with that (x) contemplated by this Agreement, (y) contemplated by any other Agreement entered into in connection with the IPO or (z) specified by the Corporate Taxpayer in any Schedule required to be provided by or on behalf of the Corporate Taxpayer under this Agreement unless otherwise required by law. The Corporate Taxpayer shall (and shall cause OpCo and its other Subsidiaries to) use commercially reasonable efforts (for the avoidance of doubt, taking into account the interests and entitlements of all TRA Parties under this Agreement) to defend the Tax treatment contemplated by this Agreement and any Schedule in any audit, contest or similar proceeding with any Taxing Authority.

Section 6.3 Cooperation. Each of the TRA Parties shall (a) furnish to the Corporate Taxpayer in a timely manner such information, documents and other materials in its possession as the Corporate Taxpayer may reasonably request for purposes of making any determination or computation necessary or appropriate under this Agreement, preparing any Tax Return or contesting or defending any audit, examination or controversy with any Taxing Authority, (b) make itself available to the Corporate Taxpayer and its representatives to provide explanations of documents and materials and such other information as the Corporate Taxpayer or its representatives may reasonably request in connection with any of the matters described in clause (a) above, and (c) reasonably cooperate in connection with any such matter, and the Corporate Taxpayer shall reimburse each such TRA Party for any reasonable and documented out-of-pocket costs and expenses incurred pursuant to this Section 6.3. Upon the request of any TRA Party, the Corporate Taxpayer shall cooperate in taking any action reasonably requested by such TRA Party in connection with its tax or financial reporting and/or the consummation of any assignment or transfer of any of its rights and/or obligations under this Agreement, including without limitation, providing any information or executing any documentation.

ARTICLE VII MISCELLANEOUS

Section 7.1 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed duly given and received (a) on the date of delivery if delivered personally, or by facsimile or email with confirmation of transmission by the transmitting equipment or (b) on the first Business Day following the date of dispatch if delivered by a recognized next-day courier service. All notices hereunder shall be delivered as

set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

If to the Corporate Taxpayer, to:

Ryan Specialty Holdings, Inc.
Two Prudential Plaza
180 N. Stetson Avenue, Suite 4600
Chicago, Illinois 60601
Attention: Jeremiah R. Bickham, Chief Financial Officer
Email: jeremiah.bickham@ryansg.com

If to the TRA Parties, to the respective addresses, fax numbers and email addresses set forth in the records of OpCo.

Any party may change its address, fax number or email by giving the other party written notice of its new address, fax number or email in the manner set forth above.

Section 7.2 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

Section 7.3 Entire Agreement; No Third Party Beneficiaries. This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and their respective successors and permitted assigns, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement. This Agreement amends and replaces, and supersedes in its entirety, the Original Agreement.

Section 7.4 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

Section 7.5 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable

manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

Section 7.6 Successors; Assignment; Amendments; Waivers.

(a) Subject to the Corporate Taxpayer's prior written consent (not to be unreasonably withheld, conditioned or delayed), each TRA Party may assign all or any portion of its rights under this Agreement to any Person as long as such transferee has executed and delivered, or, in connection with such transfer, executes and delivers, a joinder to this Agreement, substantially in the form of Exhibit A hereto, agreeing to become a TRA Party for all purposes of this Agreement, except as otherwise provided in such joinder (a "**Joinder**"). For avoidance of doubt, this Section 7.6(a) shall apply regardless of whether such TRA Party continues to hold any interest in the Corporate Taxpayer. For the avoidance of doubt, (1) if a TRA Party transfers Units in accordance with the terms of the LLC Agreement but does not assign to the transferee of such Units its rights under this Agreement with respect to such transferred Units, such TRA Party shall continue to be entitled to receive the Tax Benefit Payments arising in respect of a subsequent Exchange of such Units and (2) an assignment to any entity controlled by a TRA Party shall be treated as one transfer (or an assignment to an Affiliate, if applicable) for purposes of this Section 7.6(a), even if the interests in such entity are subsequently transferred or distributed to third parties. Any assignment, or attempted assignment in violation of this Agreement, including any failure of a purported assignee to enter into a Joinder or to provide any forms or other information to the extent required hereunder, shall be null and void, and shall not bind or be recognized by the Corporate Taxpayer or the TRA Parties. The Corporate Taxpayer shall be entitled to treat the record owner of any rights under this Agreement as the absolute owner thereof and shall incur no liability for payments made in good faith to such owner until such time as a written assignment of such rights is permitted pursuant to the terms and conditions of this Section 7.6(a) and has been recorded on the books of the Corporate Taxpayer.

(b) No provision of this Agreement may be amended unless such amendment is approved in writing by each of the Corporate Taxpayer and by the TRA Party Representative; provided, that no such amendment shall be effective if such amendment will have a disproportionate effect on the payments one or more TRA Parties receive under this Agreement unless such amendment is consented in writing by such TRA Parties disproportionately affected who would be entitled to receive at least a majority of the total amount of the Early Termination Payments payable to all TRA Parties disproportionately affected hereunder if the Corporate Taxpayer was obligated to deliver an Early Termination Notice on the date of the most recent Exchange prior to such amendment (excluding, for purposes of this sentence, all payments made to any TRA Party pursuant to this Agreement since the date of such most recent Exchange). No provision of this Agreement may be waived unless such waiver is in writing and signed by the party against whom the waiver is to be effective.

(c) All of the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the parties hereto and their respective successors, assigns, heirs, executors, administrators and legal representatives. The Corporate Taxpayer shall require and cause any direct or indirect successor (whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Corporate Taxpayer, by written agreement, expressly to assume and agree to perform this Agreement in the same manner and to

the same extent that the Corporate Taxpayer would be required to perform if no such succession had taken place.

Section 7.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

Section 7.8 Resolution of Disputes.

(a) Any and all disputes which are not governed by Section 7.9 and cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance or non-performance of this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware. Any dispute relating hereto shall be heard in the state or federal courts of Delaware and the parties agree to jurisdiction and venue therein. The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in any United States District Court in Delaware or any Delaware State, so long as one of such courts shall have subject matter jurisdiction over such suit, action or proceeding, and that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of Delaware, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Each TRA Party irrevocably appoints the Corporate Taxpayer as agent of such TRA Party for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise the TRA Party of any such service of process, shall be deemed in every respect effective service of process upon the TRA Party in any such action or proceeding.

(b) AS A SPECIFICALLY BARGAINED FOR INDUCEMENT FOR EACH OF THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT (AFTER HAVING THE OPPORTUNITY TO CONSULT WITH COUNSEL), EACH PARTY HERETO EXPRESSLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY LAWSUIT OR PROCEEDING RELATING TO OR ARISING IN ANY WAY FROM THIS AGREEMENT OR THE MATTERS CONTEMPLATED HEREBY.

Section 7.9 Reconciliation. In the event that the Corporate Taxpayer and the TRA Party Representative are unable to resolve a disagreement with respect to the matters governed by Section 2.3 and Section 4.2 within the relevant period designated in this Agreement (“**Reconciliation Dispute**”), the Reconciliation Dispute shall be submitted for determination to a nationally recognized expert (the “**Expert**”) in the particular area of disagreement mutually

acceptable to both parties. The Expert shall be a partner or principal in a nationally recognized accounting or law firm, and unless the Corporate Taxpayer and the TRA Party Representative agree otherwise, the Expert shall not, and the firm that employs the Expert shall not, have any material relationship with the Corporate Taxpayer or the TRA Party Representative or other actual or potential conflict of interest. If the Corporate Taxpayer and the TRA Party Representative are unable to agree on an Expert within fifteen (15) calendar days of receipt by the respondent(s) of written notice of a Reconciliation Dispute, then the Expert shall be appointed by the International Chamber of Commerce Centre for Expertise. The Expert shall resolve any matter relating to the TRA Party's Basis Schedule or an amendment thereto or the Early Termination Schedule or an amendment thereto within thirty (30) calendar days and shall resolve any matter relating to a Tax Benefit Schedule or an amendment thereto within fifteen (15) calendar days or as soon thereafter as is reasonably practicable, in each case after the matter has been submitted to the Expert for resolution. Notwithstanding the preceding sentence, if the matter is not resolved before any payment that is the subject of a disagreement would be due (in the absence of such disagreement) or any Tax Return reflecting the subject of a disagreement is due, the undisputed amount shall be paid on the date prescribed by this Agreement and such Tax Return may be filed as prepared by the Corporate Taxpayer, subject to adjustment or amendment upon resolution. The costs and expenses relating to the engagement of such Expert or amending any Tax Return shall be borne by the Corporate Taxpayer except as provided in the next sentence. The Corporate Taxpayer and the TRA Party Representative shall bear their own costs and expenses of such proceeding, unless (i) the Expert adopts the TRA Party Representative's position, in which case the Corporate Taxpayer shall reimburse the TRA Party Representative for any reasonable out-of-pocket costs and expenses in such proceeding, or (ii) the Expert adopts the Corporate Taxpayer's position, in which case the TRA Party Representative shall reimburse the Corporate Taxpayer for any reasonable out-of-pocket costs and expenses in such proceeding. Any dispute as to whether a dispute is a Reconciliation Dispute within the meaning of this [Section 7.9](#) shall be decided by the Expert. The Expert shall finally determine any Reconciliation Dispute and the determinations of the Expert pursuant to this [Section 7.9](#) shall be binding on the Corporate Taxpayer and each of the TRA Parties and may be entered and enforced in any court having jurisdiction.

Section 7.10 Withholding. The Corporate Taxpayer shall be entitled to deduct and withhold from any payment payable pursuant to this Agreement such amounts as the Corporate Taxpayer is required to deduct and withhold with respect to the making of such payment under the Code or any provision of state, local or foreign Tax law; provided that, prior to deducting or withholding any such amounts, the Corporate Taxpayer shall notify the TRA Party Representative and shall consult in good faith with the TRA Party Representative regarding the basis for such deduction or withholding; provided, further, that in the case of deduction or withholding in respect of a payment to an Onex Party, the Corporate Taxpayer shall notify the Onex Representative and shall consult in good faith with the Onex Representative regarding the basis for such deduction or withholding. To the extent that amounts are so withheld and paid over to the appropriate Taxing Authority by the Corporate Taxpayer, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of whom such withholding was made. Each TRA Party shall promptly provide the Corporate Taxpayer, OpCo or other applicable withholding agent with any applicable Tax forms and certifications (including IRS Form W-9 or the applicable version of IRS Form W-8) reasonably requested, in connection with determining whether any such deductions and withholdings are required under the Code or any provision of United States state, local or foreign Tax law.

Section 7.11 Admission of the Corporate Taxpayer into a Consolidated Group; Transfers of Corporate Assets.

(a) If the Corporate Taxpayer is or becomes a member of an affiliated or consolidated group of corporations that files a consolidated income Tax Return pursuant to Sections 1501 et seq. of the Code or any corresponding provisions of state or local law, then: (i) the provisions of this Agreement shall be applied with respect to the group as a whole; and (ii) Tax Benefit Payments, Early Termination Payments and other applicable items hereunder shall be computed with reference to the consolidated taxable income of the group as a whole.

(b) If the Corporate Taxpayer (or any member of a group described in Section 7.11(a)) transfers or is deemed to transfer any Unit or any Reference Property to a transferee that is treated as a corporation for United States federal income tax purposes (other than a member of a group described in Section 7.11(a)) in a transaction in which the transferee's basis in the property acquired is determined in whole or in part by reference to such transferor's basis in such property, then the Corporate Taxpayer shall cause such transferee to assume the obligation to make payments hereunder with respect to the applicable Tax Attributes associated with any Reference Property or interest therein acquired (directly or indirectly) in such transfer (taking into account any gain recognized in the transaction) in a manner consistent with the terms of this Agreement as the transferee (or one of its Affiliates) actually realizes Tax benefits from the Tax Attributes. If OpCo transfers (or is deemed to transfer for United States federal income tax purposes) any Reference Property to a transferee that is treated as a corporation for United States federal income tax purposes (other than a member of a group described in Section 7.11(a)) in a transaction in which the transferee's basis in the property acquired is determined in whole or in part by reference to such transferor's basis in such property, OpCo shall be treated as having disposed of the Reference Property in a wholly taxable transaction. The consideration deemed to be received by OpCo in a transaction contemplated in the prior sentence shall be equal to the fair market value of the deemed transferred asset, plus (i) the amount of debt to which such asset is subject, in the case of a transfer of an encumbered asset or (ii) the amount of debt allocated to such asset, in the case of a transfer of a partnership interest. If any member of a group described in Section 7.11(a) that owns any Unit deconsolidates from the group (or the Corporate Taxpayer deconsolidates from the group), then the Corporate Taxpayer shall cause such member (or the parent of the consolidated group in a case where the Corporate Taxpayer deconsolidates from the group) to assume the obligation to make payments hereunder with respect to the applicable Tax Attributes associated with any Reference Property it owns (directly or indirectly) in a manner consistent with the terms of this Agreement as the member (or one of its Affiliates) actually realizes Tax benefits. If a transferee or a member of a group described in Section 7.11(a) assumes an obligation to make payments hereunder pursuant to either of the foregoing sentences, then the initial obligor is relieved of the obligation assumed.

(c) If the Corporate Taxpayer (or any member of a group described in Section 7.11(a)) transfers (or is deemed to transfer for United States federal income tax purposes) any Unit in a transaction that is wholly or partially taxable, then for purposes of calculating payments under this Agreement, OpCo shall be treated as having disposed of the portion of any Reference Property that is indirectly transferred by the Corporate Taxpayer (*i.e.*, taking into account the number of Units transferred) in a wholly or partially taxable transaction in which all income, gain or loss is allocated to the Corporate Taxpayer. The consideration deemed to be received by OpCo shall be

equal to the fair market value of the deemed transferred asset, plus (i) the amount of debt to which such asset is subject, in the case of a transfer of an encumbered asset or (ii) the amount of debt allocated to such asset, in the case of a transfer of a partnership interest.

Section 7.12 Confidentiality.

(a) Subject to the last sentence of Section 6.3, each TRA Party and each of their assignees acknowledge and agree that the information of the Corporate Taxpayer is confidential and, except in the course of performing any duties as necessary for the Corporate Taxpayer and its Affiliates, as required by law or legal process or to enforce the terms of this Agreement, such person shall keep and retain in the strictest confidence and not disclose to any Person any confidential matters, acquired pursuant to this Agreement, of the Corporate Taxpayer and its Affiliates and successors, concerning OpCo, its members and its Affiliates and successors, learned by the TRA Party heretofore or hereafter. This Section 7.12 shall not apply to (i) any information that has been made publicly available by the Corporate Taxpayer or any of its Affiliates, becomes public knowledge (except as a result of an act of the TRA Party in violation of this Agreement) or is generally known to the business community and (ii) the disclosure of information to the extent necessary for the TRA Party to prepare and file its Tax Returns, to respond to any inquiries regarding the same from any Taxing Authority or to prosecute or defend any action, proceeding or audit by any Taxing Authority with respect to such returns. Notwithstanding anything to the contrary herein, each TRA Party and each of their assignees (and each employee, representative or other agent of the TRA Party or its assignees, as applicable) may disclose to any and all Persons, without limitation of any kind, the Tax treatment and Tax structure of the Corporate Taxpayer, OpCo and their Affiliates, and any of their transactions, and all materials of any kind (including opinions or other Tax analyses) that are provided to the TRA Party relating to such Tax treatment and Tax structure.

(b) If a TRA Party or an assignee commits a breach, or threatens to commit a breach, of any of the provisions of this Section 7.12, the Corporate Taxpayer shall have the right and remedy to have the provisions of this Section 7.12 specifically enforced by injunctive relief or otherwise by any court of competent jurisdiction without the need to post any bond or other security, it being acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to the Corporate Taxpayer or any of its Subsidiaries or the TRA Parties and the accounts and funds managed by the Corporate Taxpayer and that money damages alone shall not provide an adequate remedy to such Persons. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available at law or in equity.

Section 7.13 Change in Law. Notwithstanding anything herein to the contrary, if, in connection with an actual or proposed change in law, a TRA Party reasonably believes that the existence of this Agreement could cause income (other than income arising from receipt of a payment under this Agreement) recognized by the TRA Party upon any Exchange by such TRA Party to be treated as ordinary income rather than capital gain (or otherwise taxed at ordinary income rates) for United States federal income tax purposes or would have other material adverse Tax consequences to such TRA Party, then at the election of such TRA Party and to the extent specified by such TRA Party, this Agreement (i) shall cease to have further effect with respect to such TRA Party, (ii) shall not apply to an Exchange by such TRA Party occurring after a date specified by such TRA Party, or (iii) shall, if approved by the TRA Party Representative, otherwise

be amended in a manner determined by the TRA Party Representative, provided that such amendment shall not result in an increase in payments under this Agreement at any time as compared to the amounts and times of payments that would have been due in the absence of such amendment.

Section 7.14 Electronic Signature. This Agreement, the agreements referred to herein, and each other agreement or instrument entered into in connection herewith or therewith or contemplated hereby or thereby, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine or electronic transmission in portable document format (pdf) or comparable electronic transmission, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall reexecute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument shall raise the use of a facsimile machine or pdf electronic transmission or comparable electronic transmission to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine as a defense to the formation or enforceability of a contract and each such party forever waives any such defense.

Section 7.15 Effectiveness. This Agreement shall become effective at such date and at such time as determined by the Corporate Taxpayer in connection with its initial public offering. In the event that the Corporate Taxpayer decides not to proceed with its initial public offering, it shall notify the parties to this Agreement of its decision not to proceed and this Agreement shall be null and void.

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IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

PUBCO:

Ryan Specialty Holdings, Inc.,
a Delaware corporation

By: /s/ Patrick G. Ryan
Name: Patrick G. Ryan
Title: Chairman and Chief Executive Officer

TRA PARTIES:

/s/ Patrick G. Ryan
Patrick G. Ryan, as TRA Party Representative

Exhibit A

Form of Joinder

This JOINDER (this "Joinder") to the Amended and Restated Tax Receivable Agreement (as defined below), is by and among Ryan Specialty Holdings, Inc., a Delaware corporation (including any successor corporation the "Corporate Taxpayer"), _____ ("Transferor") and _____ ("Permitted Transferee").

WHEREAS, on _____, Permitted Transferee shall acquire _____ percent of the Transferor's right to receive payments that may become due and payable under the Amended and Restated Tax Receivable Agreement (as defined below) (the "Acquired Interests") from Transferor (the "Acquisition"); and WHEREAS, Transferor, in connection with the Acquisition, has required Permitted Transferee to execute and deliver this Joinder pursuant to Section 7.6(a) of the Amended and Restated Tax Receivable Agreement, dated as of [], 2022, between the Corporate Taxpayer, OpCo and the TRA Parties (as defined therein) (the "Tax Receivable Agreement").

NOW, THEREFORE, in consideration of the foregoing and the respective covenants and agreements set forth herein, and intending to be legally bound hereby, the parties hereto agree as follows:

Section 1.1 Definitions. To the extent capitalized words used in this Joinder are not defined in this Joinder, such words shall have the respective meanings set forth in the Tax Receivable Agreement.

Section 1.2 Acquisition. For good and valuable consideration, the sufficiency of which is hereby acknowledged by the Transferor and the Permitted Transferee, the Transferor hereby transfers and assigns absolutely to the Permitted Transferee all of the Acquired Interests.

Section 1.3 Joinder. Permitted Transferee hereby acknowledges and agrees (i) that it has received and read the Tax Receivable Agreement, (ii) that the Permitted Transferee is acquiring the Acquired Interests in accordance with and subject to the terms and conditions of the Tax Receivable Agreement and (iii) to become a "TRA Party" (as defined in the Tax Receivable Agreement) for all purposes of the Tax Receivable Agreement.

Section 1.4 Notice. Any notice, request, consent, claim, demand, approval, waiver or other communication hereunder to Permitted Transferee shall be delivered or sent to Permitted Transferee at the address set forth on the signature page hereto in accordance with Section 7.1 of the Tax Receivable Agreement.

Section 1.5 Governing Law. This Joinder shall be governed by and construed in accordance with the law of the State of New York.

above written. IN WITNESS WHEREOF, this Joinder has been duly executed and delivered by Permitted Transferee as of the date first

CORPORATE TAXPAYER:

Ryan Specialty Holdings, Inc.,
a Delaware corporation

By: _____

Name: _____

Title: _____

TRANSFEROR:

[_____]

By: _____

Name: _____

Title: _____

PERMITTED TRANSFEREE:

[_____]

By: _____

Name: _____

Title: _____

Exhibit B

Contribution TRA Parties

**RYAN SPECIALTY HOLDINGS, INC.
2021 OMNIBUS INCENTIVE PLAN**

**ARTICLE I
PURPOSE**

The purpose of this Ryan Specialty Holdings, Inc. 2021 Omnibus Incentive Plan is to enhance the profitability and value of the Company for the benefit of its stockholders by enabling the Company to offer Eligible Individuals cash and stock-based incentives in order to attract, retain and reward such individuals and strengthen the mutuality of interests between such individuals and the Company's stockholders. The Plan is effective as of the date set forth in Article XVI.

**ARTICLE II
DEFINITIONS**

For purposes of the Plan, the following terms shall have the following meanings:

2.1 "Affiliate" means each of the following: (a) any Subsidiary; (b) any Parent; (c) any corporation, trade or business (including, without limitation, a partnership or limited liability company) which is directly or indirectly controlled 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) by the Company or one of its Affiliates; (d) any trade or business (including, without limitation, a partnership or limited liability company) which directly or indirectly controls 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) of the Company; and (e) any other entity in which the Company or any of its Affiliates has a material equity interest and which is designated as an "Affiliate" by resolution of the Committee; provided that, unless otherwise determined by the Committee, the Shares subject to any Award constitutes "service recipient stock" for purposes of Section 409A of the Code or otherwise does not subject the Award to Section 409A of the Code.

2.2 "Award" means any award under the Plan of any Stock Option, Stock Appreciation Right, Restricted Stock Award, Performance Award, Other Stock-Based Award, Other Cash-Based Award or RSG LLC Award. All Awards shall be granted by, confirmed by, and subject to the terms of, a written agreement executed by the Company and the Participant.

2.3 "Award Agreement" means the written or electronic agreement setting forth the terms and conditions applicable to an Award.

2.4 "Board" means the Board of Directors of the Company.

2.5 "Cause" means, unless otherwise determined by the Committee in the applicable Award Agreement, with respect to a Participant's Termination of Employment or Termination of Consultancy, the following: (i) any act or omission which constitutes a breach by such Participant of the terms of his or her employment agreement or consulting agreement that adversely impacts the business or reputation of the Company or any of its Affiliates, (ii) such Participant's conviction of a felony or commission of any act that would rise to the level of a felony, (iii) such Participant's conviction or commission of a lesser crime or offense that adversely impacts or potentially could impact upon the business or reputation of the Company or any of its Affiliates in a material way, (iv) such Participant fails to meet the expected standard of performance as communicated by such Participant's supervisor, including, without limitation, with respect to obtaining and maintaining proper licensure for the conduct of such Participant's business, (v) such Participant's violation of specific lawful directives of the Employer, (vi) such Participant's commission of a dishonest or wrongful act involving fraud, misrepresentation, or moral turpitude causing

damage or potential damage to the Company or any of its Affiliates, (vii) such Participant's failure to perform a substantial part of such Participant's duties, or (viii) such Participant's breach of fiduciary duty. With respect to a Participant's Termination of Directorship, "cause" means an act or failure to act that constitutes cause for removal of a director under applicable Delaware law.

2.6 "Change in Control" has the meaning set forth in Section 12.2.

2.7 "Change in Control Price" has the meaning set forth in Section 12.1.

2.8 "Class B Shares" means shares of the Class B common stock, \$0.001 par value per share, of the Company.

2.9 "Code" means the Internal Revenue Code of 1986, as amended. Any reference to any section of the Code shall also be a reference to any successor provision and any regulation of U.S. Department of Treasury promulgated thereunder (the "Treasury Regulation").

2.10 "Committee" means any committee of the Board duly authorized by the Board to administer the Plan. If no committee is duly authorized by the Board to administer the Plan, the term "Committee" shall be deemed to refer to the Board for all purposes under the Plan.

2.11 "Common Stock" means the Class A common stock, \$0.001 par value per share, of the Company.

2.12 "Company" means Ryan Specialty Holdings, Inc., a Delaware corporation, and its successors by operation of law.

2.13 "Consultant" means any Person who is an advisor or consultant to the Company or its Affiliates.

2.14 "Disability" means, unless otherwise determined by the Committee in the applicable Award Agreement, with respect to a Participant's Termination, a permanent and total disability as defined in Section 22(e)(3) of the Code. A Disability shall only be deemed to occur at the time of the determination by the Committee of the Disability. Notwithstanding the foregoing, for Awards that are subject to Section 409A of the Code, Disability shall mean that a Participant is disabled under Section 409A(a)(2)(C)(i) or (ii) of the Code.

2.15 "Effective Date" means the effective date of the Plan as defined in Article XVI.

2.16 "Eligible Employees" means each employee of the Company or an Affiliate.

2.17 "Eligible Individual" means an Eligible Employee, Non-Employee Director or Consultant who is designated by the Committee in its discretion as eligible to receive Awards subject to the conditions set forth herein.

2.18 "Exchange Act" means the Securities Exchange Act of 1934, as amended. Reference to a specific section of the Exchange Act or regulation thereunder shall include such section or regulation, any valid regulation or interpretation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

2.19 "Fair Market Value" means, for purposes of the Plan, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, (a) with respect to the Common

Stock, as of any date and except as provided below, the closing sales price reported for the Common Stock on the applicable date: (i) as reported on the principal national securities exchange in the United States on which it is then traded or (ii) if the Common Stock is not traded, listed or otherwise reported or quoted, the Committee shall determine in good faith the Fair Market Value in whatever manner it considers appropriate taking into account the requirements of Section 409A of the Code, or (b) with respect to RSG LLC Units, as determined by the Committee in good faith in accordance with any applicable provisions of the LLC Agreements. For purposes of the grant of any Award, the applicable date shall be the trading day immediately prior to the date on which the Award is granted. For purposes of the exercise of any Award, the applicable date shall be the date a notice of exercise is received by the Committee or, if not a day on which the applicable market is open, the next day that it is open. Notwithstanding the foregoing, with respect to any Award (excluding any RSG LLC Award) granted on the pricing date of the Company's initial public offering, the Fair Market Value shall mean the initial public offering price of a share of Common Stock as set forth in the Company's final prospectus relating to its initial public offering filed with the Securities and Exchange Commission.

2.20 "Family Member" means "family member" as defined in Section A.1.(a)(5) of the general instructions of Form S-8.

2.21 "Incentive Stock Option" means any Stock Option awarded to an Eligible Employee of the Company, its Subsidiaries and its Parents (if any) under the Plan intended to be and designated as an "Incentive Stock Option" within the meaning of Section 422 of the Code.

2.22 "Incumbent Director" has the meaning set forth in Section 12.2(c).

2.23 "Lead Underwriter" has the meaning set forth in Section 15.19.

2.24 "LLC Agreements" means (a) that certain Sixth Amended and Restated Limited Liability Company Agreement of RSG LLC, effective as of July __, 2021, as amended, restated or otherwise modified from time to time and (b) that certain Limited Liability Company Agreement of New RSG LLC, effective as of July __, 2021, as amended, restated or otherwise modified from time to time.

2.25 "Lock-Up Period" has the meaning set forth in Section 15.19.

2.26 "New RSG LLC" means New RSG Holdings, LLC, a Delaware limited liability Company.

2.27 "Non-Employee Director" means a director or a member of the Board of the Company or any Affiliate who is not an active employee of the Company or any Affiliate.

2.28 "Non-Qualified Stock Option" means any Stock Option awarded under the Plan that is not an Incentive Stock Option.

2.29 "Non-Tandem Stock Appreciation Right" shall mean the right to receive an amount in cash and/or stock equal to the difference between (x) the Fair Market Value of a Share on the date such right is exercised, and (y) the aggregate exercise price of such right, otherwise than on surrender of a Stock Option.

2.30 "Other Cash-Based Award" means an Award granted pursuant to Section 10.3 and payable in cash at such time or times and subject to such terms and conditions as determined by the Committee in its sole discretion.

2.31 “Other Stock-Based Award” means an Award under Article X of the Plan that is valued in whole or in part by reference to, or is payable in or otherwise based on, Shares, including, without limitation, an Award valued by reference to an Affiliate.

2.32 “Parent” means any parent corporation of the Company within the meaning of Section 424(e) of the Code.

2.33 “Participant” means an Eligible Individual to whom an Award has been granted pursuant to the Plan.

2.34 “Performance Award” means an Award granted to a Participant pursuant to Article IX hereof contingent upon achieving certain Performance Goals.

2.35 “Performance Goals” means goals established by the Committee in its sole discretion as contingencies for Awards to vest and/or become exercisable or distributable.

2.36 “Performance Period” means the designated period during which the Performance Goals must be satisfied with respect to the Award to which the Performance Goals relate.

2.37 “Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a government or any branch, department, agency, political subdivision or official thereof.

2.38 “Plan” means this Ryan Specialty Holdings, Inc. 2021 Omnibus Incentive Plan, as amended from time to time.

2.39 “Proceeding” has the meaning set forth in Section 15.8.

2.40 “Qualified Retirement” means the situation in which a Participant retires (i) in good standing (as determined by the Board) from employment with the Company or any Affiliate, (ii) after reaching the age of 65, and (iii) thereafter does not take any employment or similar position with any Person or provide material services for compensation.

2.41 “Reference Stock Option” has the meaning set forth in Section 7.1.

2.42 “Registration Date” means the date on which the Company sells its Common Stock in a bona fide, firm commitment underwriting pursuant to a registration statement under the Securities Act.

2.43 “Reorganization” has the meaning set forth in Section 4.2(b)(ii).

2.44 “Restricted Stock” means an Award of Shares under the Plan that is subject to restrictions under Article VIII.

2.45 “Restriction Period” has the meaning set forth in Section 8.3(a) with respect to Restricted Stock.

2.46 “RSG LLC” means Ryan Specialty, LLC, a Delaware limited liability company.

2.47 “RSG LLC Award” means any award described in Article XI.

2.48 “RSG Common Unit Award” means an award described in Section 11.1.

- 2.49 “RSG Incentive Unit” means an award described in Section 11.2.
- 2.50 “RSG LLC Unit” means “Unit” of RSG LLC or New RSG LLC as defined in the applicable LLC Agreement.
- 2.51 “Rule 16b-3” means Rule 16b-3 under Section 16(b) of the Exchange Act as then in effect or any successor provision.
- 2.52 “Section 409A of the Code” means the nonqualified deferred compensation rules under Section 409A of the Code and any applicable Treasury Regulations and other official guidance thereunder.
- 2.53 “Securities Act” means the Securities Act of 1933, as amended and all rules and regulations promulgated thereunder. Reference to a specific section of the Securities Act or regulation thereunder shall include such section or regulation, any valid regulation or interpretation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.
- 2.54 “Shares” means shares of Common Stock or RSG LLC Units, as applicable.
- 2.55 “Stock Appreciation Right” shall mean the right pursuant to an Award granted under Article VII.
- 2.56 “Stock Option” or “Option” means any option to purchase Shares granted to Eligible Individuals granted pursuant to Article VI.
- 2.57 “Subsidiary” means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.
- 2.58 “Substitute Award” shall mean an Award granted under the Plan in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock, in any case, upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity; provided, however, that in no event shall the term “Substitute Award” be construed to refer to an award made in connection with the cancellation and repricing of an Stock Option or Stock Appreciation Right.
- 2.59 “Tandem Stock Appreciation Right” shall mean the right to surrender to the Company all (or a portion) of a Stock Option in exchange for an amount in cash and/or stock equal to the difference between (a) the Fair Market Value on the date such Stock Option (or such portion thereof) is surrendered, of the Shares covered by such Stock Option (or such portion thereof), and (b) the aggregate exercise price of such Stock Option (or such portion thereof).
- 2.60 “Ten Percent Stockholder” means a Person owning stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, its Subsidiaries or its Parent.
- 2.61 “Termination” means a Termination of Consultancy, Termination of Directorship or Termination of Employment, as applicable.
- 2.62 “Termination of Consultancy” means: (a) that the Consultant is no longer acting as a consultant to the Company or an Affiliate; or (b) when an entity which is retaining a Participant as a Consultant ceases to be an Affiliate unless the Participant otherwise is, or thereupon becomes, a Consultant

to the Company or another Affiliate at the time the entity ceases to be an Affiliate. In the event that a Consultant becomes an Eligible Employee or a Non-Employee Director upon the termination of such Consultant's consultancy, unless otherwise determined by the Committee, in its sole discretion, no Termination of Consultancy shall be deemed to occur until such time as such Consultant is no longer a Consultant, an Eligible Employee or a Non-Employee Director. Notwithstanding the foregoing, the Committee may otherwise define Termination of Consultancy in the Award Agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Consultancy thereafter; provided that, any such change to the definition of the term "Termination of Consultancy" does not subject the applicable Award to Section 409A of the Code.

2.63 "Termination of Directorship" means that the Non-Employee Director has ceased to be a director of the Company; except that if a Non-Employee Director becomes an Eligible Employee or a Consultant upon the termination of such Non-Employee Director's directorship, such Non-Employee Director's ceasing to be a director of the Company shall not be treated as a Termination of Directorship unless and until the Participant has a Termination of Employment or Termination of Consultancy, as the case may be.

2.64 "Termination of Employment" means: (a) a termination of employment (for reasons other than a military or personal leave of absence granted by the Company) of a Participant from the Company and its Affiliates; or (b) when an entity which is employing a Participant ceases to be an Affiliate, unless the Participant otherwise is, or thereupon becomes, employed by the Company or another Affiliate at the time the entity ceases to be an Affiliate. In the event that an Eligible Employee becomes a Consultant or a Non-Employee Director upon the termination of such Eligible Employee's employment, unless otherwise determined by the Committee at the time of such transition, in its sole discretion, no Termination of Employment shall be deemed to occur until such time as such Eligible Employee is no longer an Eligible Employee, a Consultant or a Non-Employee Director. Notwithstanding the foregoing, the Committee may otherwise define Termination of Employment in the Award Agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Employment thereafter; provided that, any such change to the definition of the term "Termination of Employment" does not subject the applicable Award to Section 409A of the Code.

2.65 "Transfer" means: (a) when used as a noun, any direct or indirect transfer, sale, assignment, pledge, hypothecation, encumbrance or other disposition (including the issuance of equity in any entity), whether for value or no value and whether voluntary or involuntary (including by operation of law), and (b) when used as a verb, to directly or indirectly transfer, sell, assign, pledge, encumber, charge, hypothecate or otherwise dispose of (including the issuance of equity in any entity) whether for value or for no value and whether voluntarily or involuntarily (including by operation of law). "Transferred" and "Transferable" shall have a correlative meaning.

ARTICLE III ADMINISTRATION

3.1 The Committee. The Plan shall be administered and interpreted by the Committee. To the extent required by applicable law, rule or regulation, it is intended that each member of the Committee shall qualify as (a) a "non-employee director" under Rule 16b-3, and (b) an "independent director" under the rules of any securities exchange or automated quotation system on which Shares are listed, quoted or traded. If it is later determined that one or more members of the Committee do not so qualify, actions taken by the Committee prior to such determination shall be valid despite such failure to qualify.

3.2 Grants of Awards. The Committee shall have full authority to grant, pursuant to the terms of the Plan, to Eligible Individuals: (i) Stock Options, (ii) Stock Appreciation Rights, (iii) Restricted Stock

Awards, (iv) Performance Awards; (v) Other Stock-Based Awards; and (vi) Other Cash-Based Awards. In particular, the Committee shall have the authority:

(a) to select the Eligible Individuals to whom Awards may from time to time be granted hereunder;

(b) to determine whether and to what extent Awards, or any combination thereof, are to be granted hereunder to one or more Eligible Individuals;

(c) to determine the number of Shares to be covered by each Award granted hereunder;

(d) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder (including, but not limited to, the exercise or purchase price (if any), any restriction or limitation, any vesting schedule or acceleration thereof, or any forfeiture restrictions or waiver thereof, regarding any Award and the Shares relating thereto, based on such factors, if any, as the Committee shall determine, in its sole discretion);

(e) to determine the amount of cash to be covered by each Award granted hereunder;

(f) to determine whether, to what extent and under what circumstances grants of Options and other Awards under the Plan are to operate on a tandem basis and/or in conjunction with or apart from other awards made by the Company outside of the Plan;

(g) to determine whether and under what circumstances a Stock Option may be settled in cash, Shares and/or Restricted Stock under Section 6.4(d);

(h) to impose "blackout periods" during which an Award may not be exercised or settled;

(i) to determine whether a Stock Option is an Incentive Stock Option or Non-Qualified Stock Option;

(j) to determine whether to require a Participant, as a condition of the granting of any Award, to not sell or otherwise dispose of Shares acquired pursuant to the exercise of an Award for a period of time as determined by the Committee, in its sole discretion, following the date of the acquisition of such Award;

(k) to modify, extend or renew an Award, subject to Article XIII and Section 6.4(l); provided, however, that such action does not subject the Award to Section 409A of the Code without the consent of the Participant; and

(l) solely to the extent permitted by applicable law, to determine whether, to what extent and under what circumstances to provide loans (which may be on a recourse basis and shall bear interest at the rate the Committee shall provide) to Participants in order to exercise Options under the Plan.

3.3 Guidelines. Subject to Article XIII hereof, the Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan and perform all acts, including the delegation of its responsibilities (to the extent permitted by applicable law and applicable stock exchange rules), as it shall, from time to time, deem advisable; to construe and interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any agreement relating thereto in the manner and

to the extent it shall deem necessary to effectuate the purpose and intent of the Plan. The Committee may adopt special guidelines and provisions for Persons who are residing in or employed in, or subject to, the taxes of, any domestic or foreign jurisdictions to comply with applicable tax and securities laws of such domestic or foreign jurisdictions. Notwithstanding the foregoing, no action of the Committee under this Section 3.3 shall impair the rights of any Participant without the Participant's consent. To the extent applicable, the Plan is intended to comply with the applicable requirements of Rule 16b-3, and the Plan shall be limited, construed and interpreted in a manner so as to comply therewith.

3.4 Decisions Final. Any decision, interpretation or other action made or taken in good faith by or at the direction of the Company, the Board or the Committee (or any of its members) arising out of or in connection with the Plan shall be within the absolute discretion of all and each of them, as the case may be, and shall be final, binding and conclusive on the Company and all employees and Participants and their respective heirs, executors, administrators, successors and assigns.

3.5 Procedures. If the Committee is appointed, the Board shall designate one of the members of the Committee as chairman and the Committee shall hold meetings, subject to the By-Laws of the Company, at such times and places as it shall deem advisable, including, without limitation, by telephone conference or by written consent to the extent permitted by applicable law. A majority of the Committee members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by all of the Committee members in accordance with the By-Laws of the Company shall be fully effective as if it had been made by a vote at a meeting duly called and held. The Committee shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

3.6 Designation of Consultants/Liability.

(a)The Committee may designate employees of the Company and professional advisors to assist the Committee in the administration of the Plan and (to the extent permitted by applicable law and applicable exchange rules) may grant authority to officers to grant Awards and/or execute agreements or other documents on behalf of the Committee. In the event of any designation of authority hereunder, subject to applicable law, applicable stock exchange rules and any limitations imposed by the Committee in connection with such designation, such designee or designees shall have the power and authority to take such actions, exercise such powers and make such determinations that are otherwise specifically designated to the Committee hereunder.

(b)The Committee may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. Expenses incurred by the Committee or the Board in the engagement of any such counsel, consultant or agent shall be paid by the Company. The Committee, its members and any Person designated pursuant to sub-section (a) above shall not be liable for any action or determination made in good faith with respect to the Plan. To the maximum extent permitted by applicable law, no officer of the Company or member or former member of the Committee or of the Board shall be liable for any action or determination made in good faith with respect to the Plan or any Award granted under it.

3.7 Indemnification. To the maximum extent permitted by applicable law and the Certificate of Incorporation and By-Laws of the Company and to the extent not covered by insurance directly insuring such Person, each officer or employee of the Company or any Affiliate and member or former member of the Committee or the Board shall be indemnified and held harmless by the Company against any cost or expense (including reasonable fees of counsel reasonably acceptable to the Committee) or liability (including any sum paid in settlement of a claim with the approval of the Committee), and advanced

amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the administration of the Plan, except to the extent arising out of such officer's, employee's, member's or former member's own fraud or bad faith. Such indemnification shall be in addition to any right of indemnification the employees, officers, directors or members or former officers, directors or members may have under applicable law or under the Certificate of Incorporation or By-Laws of the Company or any Affiliate. Notwithstanding anything else herein, this indemnification will not apply to the actions or determinations made by an individual with regard to Awards granted to such individual under the Plan.

ARTICLE IV SHARE LIMITATION

4.1 Shares.

(a)The aggregate number of Shares with respect to which Awards may be granted under the Plan shall initially be equal to 63,426,625 shares (subject to any increase or decrease pursuant to Section 4.2) of which 54,478,844 shares are issuable pursuant to awards relating to the organizational transactions in connection with the consummation of the Company's initial public offering, which amount shall be increased on the first day of each fiscal year during the term of the Plan commencing with the 2022 fiscal year by (i) 2% of the total number of shares of Common Stock and Class B Shares outstanding on the last day of the immediately preceding fiscal year, or (ii) a lesser amount determined by the Board. RSG LLC Units granted under the Plan shall (a) reduce the number of Shares that may be issued or used for reference purposes or with respect to which Awards may be granted under the Plan on a one-for-one basis (i.e., each RSG LLC Unit shall be treated as one share of Common Stock) and (b) be delivered, if applicable, in accordance with the LLC Agreements. The Shares with respect to which awards may be granted under the Plan may be either authorized and unissued Shares or Shares held in or acquired for the treasury of the Company or both. The maximum number of Shares with respect to which Incentive Stock Options may be granted under the Plan shall be 63,426,625 Shares. With respect to Stock Appreciation Rights and Options settled in Shares, upon settlement, only the number of Shares delivered to a Participant shall count against the aggregate and individual share limitations set forth under Sections 4.1(a) and 4.1(b). If any Option, Stock Appreciation Right or Other Stock-Based Award granted under the Plan expires, terminates or is canceled for any reason without having been exercised in full, the number of Shares underlying any unexercised Award shall again be available for the purpose of Awards under the Plan. If any shares of Restricted Stock, Performance Awards or Other Stock-Based Awards denominated in Shares awarded under the Plan to a Participant are forfeited for any reason, the number of forfeited shares of Restricted Stock, Performance Awards or Other Stock-Based Awards denominated in Shares shall again be available for purposes of Awards under the Plan. If any Shares are withheld to satisfy tax withholding obligations on an Award issued under the Plan, the number of Shares withheld shall again be available for purposes of Awards under the Plan. If a Tandem Stock Appreciation Right is granted in tandem with an Option, such grant shall only apply once against the maximum number of Shares which may be issued under the Plan. Any Award under the Plan settled in cash shall not be counted against the foregoing maximum share limitations.

(b)The aggregate grant date fair value (computed as of the date of grant in accordance with applicable financial accounting rules) of all Awards granted under the Plan to any individual Non-Employee Director in any fiscal year of the Company (excluding any stock dividends payable in respect of outstanding Awards and excluding equity received on or prior to the closing date of the Company's initial public offering), shall not exceed \$750,000 increased to \$1,500,000 in the fiscal year of his or her initial service as a Non-Employee Director.

(c) In connection with an entity's merger or consolidation with the Company or the Company's acquisition of an entity's property or stock, the Committee may grant Substitute Awards. Substitute awards may be granted on such terms as the Committee deems appropriate, notwithstanding limitations on Awards in the Plan. Substitute Awards shall not reduce the Shares authorized for grant under the Plan, except as may be required by reason of Section 422 of the Code. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by its stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan; provided that, Awards using such available Shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employed by or providing services to the Company or its Subsidiaries immediately prior to such acquisition or combination.

4.2 Changes.

(a) The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board, the Committee or the stockholders of the Company, RSG LLC or New RSG LLC to make or authorize (i) any adjustment, recapitalization, reorganization or other change in the Company's, RSG LLC's or New RSG LLC's capital structure or its business, (ii) any merger or consolidation of the Company, RSG LLC, new RSG LLC or any of their Affiliates, (iii) any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Shares, (iv) the dissolution or liquidation of the Company, RSG LLC, New RSG LLC or any of their Affiliates, (v) any sale or transfer of all or part of the assets or business of the Company, RSG LLC, New RSG LLC or any of their Affiliates or (vi) any other corporate act or proceeding.

(b) Subject to the provisions of Section 12.1:

(i) If the Company, RSG LLC or New RSG LLC at any time subdivides (by any split, recapitalization or otherwise) the outstanding Shares into a greater number of Shares, or combines (by reverse split, combination or otherwise) its outstanding Shares into a lesser number of Shares, then the respective exercise prices for outstanding Awards that provide for a Participant elected exercise and the number of Shares covered by outstanding Awards shall be appropriately adjusted by the Committee (as the Committee determines in its sole discretion) to prevent dilution or enlargement of the rights granted to, or available for, Participants under the Plan.

(ii) Excepting transactions covered by Section 4.2(b)(i), if the Company, RSG LLC or New RSG LLC effects any merger, consolidation, statutory exchange, spin-off, reorganization, sale or transfer of all or substantially all the Company's, RSG LLC's or New RSG LLC's assets or business, or other corporate transaction or event in such a manner that the Company's, RSG LLC's or New RSG LLC's outstanding Shares are converted into the right to receive (or the holders of Shares are entitled to receive in exchange therefor), either immediately or upon liquidation of the Company, RSG LLC or New RSG LLC, securities or other property of the Company, RSG LLC, New RSG LLC or other entity (each, a "Reorganization"), then, subject to the provisions of Section 12.1, (A) the aggregate number or kind of securities that thereafter may be issued under the Plan, (B) the number or kind of securities or other property (including cash) to be issued pursuant to Awards granted under the Plan (including as a result of the assumption of the Plan and the obligations hereunder by a successor entity, as applicable), or (C) the purchase price thereof, shall be appropriately adjusted by the Committee (as the Committee determines in

its sole discretion) to prevent dilution or enlargement of the rights granted to, or available for, Participants under the Plan.

(iii) If there shall occur any change in the capital structure of the Company, RSG LLC or New RSG LLC other than those covered by Section 4.2(b)(i) or 4.2(b)(ii), including by reason of any extraordinary dividend (whether cash or equity), any conversion, any adjustment, any issuance of any class of securities convertible or exercisable into, or exercisable for, any class of equity securities of the Company, RSG LLC or New RSG LLC, then the Committee shall appropriately adjust any Award and/or make such other adjustments to the Plan to prevent dilution or enlargement of the rights granted to, or available for, Participants under the Plan, as the Committee determines in its sole discretion.

(iv) Any such adjustment determined by the Committee pursuant to this Section 4.2(b) shall be final, binding and conclusive on the Company and all Participants and their respective heirs, executors, administrators, successors and permitted assigns. Any adjustment to, or assumption or substitution of, an Award under this Section 4.2(b) shall be intended to comply with the requirements of Section 409A of the Code and Treasury Regulation §1.424-1 (and any amendments thereto), to the extent applicable. Except as expressly provided in this Section 4.2 or in the applicable Award Agreement, a Participant shall have no additional rights under the Plan by reason of any transaction or event described in this Section 4.2.

(v) Fractional Shares resulting from any adjustment in Awards pursuant to Section 4.2(a) or this Section 4.2(b) shall be aggregated until, and eliminated at, the time of exercise or payment by rounding-down for fractions less than one-half and rounding-up for fractions equal to or greater than one-half; provided, that, any Shares underlying Stock Options or Stock Appreciation Rights shall be rounded down. No cash settlements shall be required with respect to fractional Shares eliminated by rounding. Notice of any adjustment shall be given by the Committee to each Participant whose Award has been adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

4.3 Minimum Purchase Price. Notwithstanding any provision of the Plan to the contrary, if authorized but previously unissued Shares are issued under the Plan, such Shares shall not be issued for a consideration that is less than as permitted under applicable law.

ARTICLE V ELIGIBILITY AND GRANTING OF AWARDS

5.1 General Eligibility. All current and prospective Eligible Individuals are eligible to be granted Awards. Eligibility for the grant of Awards and actual participation in the Plan shall be determined by the Committee in its sole discretion.

5.2 Incentive Stock Options. Notwithstanding the foregoing, only Eligible Employees of the Company, its Subsidiaries and its Parent (if any) are eligible to be granted Incentive Stock Options under the Plan. Eligibility for the grant of an Incentive Stock Option and actual participation in the Plan shall be determined by the Committee in its sole discretion.

5.3 General Requirement. The vesting and exercise of Awards granted to a prospective Eligible Individual are conditioned upon such individual actually becoming an Eligible Employee, Consultant or Non-Employee Director, respectively.

5.4 Award Agreement. Each Award shall be evidenced by an Award Agreement that sets forth the terms, conditions and limitations for such Award as determined by the Committee in its sole discretion

(consistent with the requirements of the Plan and any applicable program). Award Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code.

5.5 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including Rule 16b-3 of the Exchange Act and any amendments thereto) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

5.6 Foreign Holders. Notwithstanding any provision of the Plan or applicable program to the contrary, in order to comply with the laws in countries other than the United States in which the Company and its Subsidiaries operate or have Eligible Employees, Non-Employee Directors or Consultants, or in order to comply with the requirements of any foreign securities exchange or other applicable law, the Committee, in its sole discretion, shall have the power and authority to: (a) determine which Subsidiaries shall be covered by the Plan; (b) determine which Eligible Individuals outside the United States are eligible to participate in the Plan; (c) modify the terms and conditions of any Award granted to Eligible Individuals outside the United States to comply with applicable law (including, without limitation, applicable foreign laws or listing requirements of any foreign securities exchange); (d) establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable; provided, however, that no such subplans and/or modifications shall increase the share limitation contained in Section 4.1; and (e) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions or approvals or listing requirements of any foreign securities exchange.

ARTICLE VI STOCK OPTIONS

6.1 Options. Stock Options may be granted alone or in addition to other Awards granted under the Plan. Each Stock Option granted under the Plan shall be of one of two types: (a) an Incentive Stock Option or (b) a Non-Qualified Stock Option.

6.2 Grants. The Committee shall have the authority to grant to any Eligible Employee one or more Incentive Stock Options, Non-Qualified Stock Options, or both types of Stock Options. The Committee shall have the authority to grant any Consultant or Non-Employee Director one or more Non-Qualified Stock Options. To the extent that any Stock Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), such Stock Option or the portion thereof which does not so qualify shall constitute a separate Non-Qualified Stock Option.

6.3 Incentive Stock Options. Notwithstanding anything in the Plan to the contrary, no term of the Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of the Participants affected, to disqualify any Incentive Stock Option under such Section 422.

6.4 Terms of Options. Options granted under the Plan shall be subject to the following terms and conditions and shall be in such form and contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable:

(a)Exercise Price. The exercise price per share of Common Stock subject to a Stock Option shall be determined by the Committee at the time of grant; provided that, the per share exercise price of a Stock Option shall not be less than 100% (or, in the case of an Incentive Stock Option granted to a Ten Percent Stockholder, 110%) of the Fair Market Value of the Common Stock at the time of grant.

(b)Stock Option Term. The term of each Stock Option shall be fixed by the Committee; provided that, no Stock Option shall be exercisable more than 15 years after the date the Option is granted; and, provided, further, that the term of an Incentive Stock Option shall not exceed 10 years (five years if granted to a Ten Percent Stockholder) .

(c)Exercisability. Unless otherwise provided by the Committee in accordance with the provisions of this Section 6.4, Stock Options granted under the Plan shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at the time of grant. If the Committee provides, in its discretion, that any Stock Option is exercisable subject to certain limitations (including, without limitation, that such Stock Option is exercisable only in installments or within certain time periods), the Committee may waive such limitations on the exercisability at any time at or after the time of grant in whole or in part (including, without limitation, waiver of the installment exercise provisions or acceleration of the time at which such Stock Option may be exercised), based on such factors, if any, as the Committee shall determine, in its sole discretion.

(d)Method of Exercise. Subject to whatever installment exercise and waiting period provisions apply under Section 6.4(c), to the extent vested, Stock Options may be exercised in whole or in part at any time during the Option term, by giving written notice of exercise to the Company specifying the number of shares of Common Stock to be purchased. Such notice shall be accompanied by payment in full of the purchase price as follows: (i) in cash or by check, bank draft or money order payable to the order of the Company; (ii) solely to the extent permitted by applicable law, if the Common Stock is traded on a national securities exchange, and the Committee authorizes, through a procedure whereby the Participant delivers irrevocable instructions to a broker reasonably acceptable to the Committee to deliver promptly to the Company an amount equal to the purchase price; or (iii) on such other terms and conditions as may be acceptable to the Committee (including, without limitation, having the Company withhold shares of Common Stock issuable upon exercise of the Stock Option, or by payment in full or in part in the form of Common Stock owned by the Participant, based on the Fair Market Value of the Common Stock on the payment date as determined by the Committee). No shares of Common Stock shall be issued until payment therefor, as provided herein, has been made or provided for.

(e)Non-Transferability of Options. No Stock Option shall be Transferable by the Participant other than by will or by the laws of descent and distribution, and all Stock Options shall be exercisable, during the Participant's lifetime, only by the Participant. Notwithstanding the foregoing, the Committee may determine, in its sole discretion, at the time of grant or thereafter that a Non-Qualified Stock Option that is otherwise not Transferable pursuant to this Section is Transferable to a Family Member in whole or in part and in such circumstances, and under such conditions, as specified by the Committee. A Non-Qualified Stock Option that is Transferred to a Family Member pursuant to the preceding sentence (i) may not be subsequently Transferred other than by will or by the laws of descent and distribution and (ii) remains subject to the terms of the Plan and the applicable Award Agreement. Any shares of Common Stock acquired upon the exercise of a Non-Qualified Stock Option by a permissible transferee of a Non-Qualified Stock Option or a permissible transferee pursuant to a Transfer after the exercise of the Non-Qualified Stock Option shall be subject to the terms of the Plan and the applicable Award Agreement.

(f)Termination by Death or Disability. Unless otherwise determined by the Committee at the time of grant, or if no rights of the Participant are reduced, thereafter, if a Participant's Termination

is by reason of death or Disability, all Stock Options that are held by such Participant that are vested and exercisable at the time of the Participant's Termination may be exercised by the Participant (or in the case of the Participant's death, by the legal representative of the Participant's estate) at any time within a period of one (1) year from the date of such Termination, but in no event beyond the expiration of the stated term of such Stock Options; provided, however, that, in the event of a Participant's Termination by reason of Disability, if the Participant dies within such exercise period, all unexercised Stock Options held by such Participant shall thereafter be exercisable, to the extent to which they were exercisable at the time of death, for a period of one (1) year from the date of such death, but in no event beyond the expiration of the stated term of such Stock Options.

(g)Involuntary Termination without Cause. Unless otherwise determined by the Committee at the time of grant, or if no rights of the Participant are reduced, thereafter, if a Participant's Termination is by involuntary termination by the Company without Cause, all Stock Options that are held by such Participant that are vested and exercisable at the time of the Participant's Termination may be exercised by the Participant at any time within a period of ninety (90) days from the date of such Termination, but in no event beyond the expiration of the stated term of such Stock Options.

(h)Voluntary Resignation. Unless otherwise determined by the Committee at the time of grant, or if no rights of the Participant are reduced, thereafter, if a Participant's Termination is voluntary (other than a voluntary termination described in clause (y) of Section 6.4(i)), all Stock Options that are held by such Participant that are vested and exercisable at the time of the Participant's Termination may be exercised by the Participant at any time within a period of thirty (30) days from the date of such Termination, but in no event beyond the expiration of the stated term of such Stock Options.

(i)Termination for Cause. Unless otherwise determined by the Committee at the time of grant, or if no rights of the Participant are reduced, thereafter, if a Participant's Termination (x) is for Cause or (y) is a voluntary Termination (as provided in Section 6.4(h)) after the occurrence of an event that would be grounds for a Termination for Cause, all Stock Options, whether vested or not vested, that are held by such Participant shall thereupon terminate and expire as of the date of such Termination.

(j)Unvested Stock Options. Unless otherwise determined by the Committee at the time of grant, or if no rights of the Participant are reduced, thereafter, Stock Options that are not vested as of the date of a Participant's Termination for any reason shall terminate and expire as of the date of such Termination.

(k)Incentive Stock Option Limitations. To the extent that the aggregate Fair Market Value (determined as of the time of grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an Eligible Employee during any calendar year under the Plan and/or any other stock option plan of the Company, any Subsidiary or any Parent exceeds \$100,000, such Options shall be treated as Non-Qualified Stock Options. In addition, if an Eligible Employee does not remain employed by the Company, any Subsidiary or any Parent at all times from the time an Incentive Stock Option is granted until three months prior to the date of exercise thereof (or such other period as required by applicable law), such Stock Option shall be treated as a Non-Qualified Stock Option. Should any provision of the Plan not be necessary in order for the Stock Options to qualify as Incentive Stock Options, or should any additional provisions be required, the Committee may amend the Plan accordingly, without the necessity of obtaining the approval of the stockholders of the Company.

(l)Form, Modification, Extension and Renewal of Stock Options. Subject to the terms and conditions and within the limitations of the Plan, Stock Options shall be evidenced by such form of agreement or grant as is approved by the Committee, and the Committee may (i) modify, extend or renew outstanding Stock Options granted under the Plan (provided that, the rights of a Participant are not

reduced without such Participant's consent and, provided, further, that such action does not subject the Stock Options to Section 409A of the Code without the consent of the Participant), and (ii) accept the surrender of outstanding Stock Options (to the extent not theretofore exercised) and authorize the granting of new Stock Options in substitution therefor (to the extent not theretofore exercised). Notwithstanding the foregoing, an outstanding Option may not be modified to reduce the exercise price thereof nor may a new Option at a lower price be substituted for a surrendered Option (other than adjustments or substitutions in accordance with Section 4.2), unless such action is approved by the stockholders of the Company.

(m)Deferred Delivery of Common Stock. The Committee may in its discretion permit Participants to defer delivery of Common Stock acquired pursuant to a Participant's exercise of an Option in accordance with the terms and conditions established by the Committee in the applicable Award Agreement, which shall be intended to comply with the requirements of Section 409A of the Code.

(n)Early Exercise. The Committee may provide that a Stock Option include a provision whereby the Participant may elect at any time before the Participant's Termination to exercise the Stock Option as to any part or all of the shares of Common Stock subject to the Stock Option prior to the full vesting of the Stock Option and such shares shall be subject to the provisions of Article VIII and be treated as Restricted Stock. Unvested shares of Common Stock so purchased may be subject to a repurchase option in favor of the Company or to any other restriction the Committee determines to be appropriate.

(o)Other Terms and Conditions. The Committee may include a provision in an Award Agreement providing for the automatic exercise of a Non-Qualified Stock Option on a cashless basis on the last day of the term of such Option if the Participant has failed to exercise the Non-Qualified Stock Option as of such date, with respect to which the Fair Market Value of the shares of Common Stock underlying the Non-Qualified Stock Option exceeds the exercise price of such Non-Qualified Stock Option on the date of expiration of such Option, subject to Section 15.4. Stock Options may contain such other provisions, which shall not be inconsistent with any of the terms of the Plan, as the Committee shall deem appropriate.

ARTICLE VII STOCK APPRECIATION RIGHTS

7.1 Tandem Stock Appreciation Rights. Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option (a "Reference Stock Option") granted under the Plan ("Tandem Stock Appreciation Rights"). In the case of a Non-Qualified Stock Option, such rights may be granted either at or after the time of the grant of such Reference Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of the grant of such Reference Stock Option.

7.2 Terms and Conditions of Tandem Stock Appreciation Rights. Tandem Stock Appreciation Rights granted hereunder shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Committee, and the following:

(a)Exercise Price. The exercise price per share of Common Stock subject to a Tandem Stock Appreciation Right shall be determined by the Committee at the time of grant; provided that, the per share exercise price of a Tandem Stock Appreciation Right shall not be less than 100% of the Fair Market Value of the Common Stock at the time of grant.

(b)Term. A Tandem Stock Appreciation Right or applicable portion thereof granted with respect to a Reference Stock Option shall terminate and no longer be exercisable upon the termination or

exercise of the Reference Stock Option, except that, unless otherwise determined by the Committee, in its sole discretion, at the time of grant, a Tandem Stock Appreciation Right granted with respect to less than the full number of shares covered by the Reference Stock Option shall not be reduced until, and then only to the extent that the exercise or termination of the Reference Stock Option causes, the number of shares covered by the Tandem Stock Appreciation Right to exceed the number of shares remaining available and unexercised under the Reference Stock Option.

(c)Exercisability. Tandem Stock Appreciation Rights shall be exercisable only at such time or times and to the extent that the Reference Stock Options to which they relate shall be exercisable in accordance with the provisions of Article VI, and shall be subject to the provisions of Section 6.4(c).

(d)Method of Exercise. A Tandem Stock Appreciation Right may be exercised by the Participant by surrendering the applicable portion of the Reference Stock Option. Upon such exercise and surrender, the Participant shall be entitled to receive an amount determined in the manner prescribed in this Section 7.2. Stock Options which have been so surrendered, in whole or in part, shall no longer be exercisable to the extent that the related Tandem Stock Appreciation Rights have been exercised.

(e)Payment. Upon the exercise of a Tandem Stock Appreciation Right, a Participant shall be entitled to receive up to, but no more than, an amount in cash and/or Common Stock (as chosen by the Committee in its sole discretion) equal in value to the excess of the Fair Market Value of one share of Common Stock over the Option exercise price per share specified in the Reference Stock Option agreement multiplied by the number of shares of Common Stock in respect of which the Tandem Stock Appreciation Right shall have been exercised, with the Committee having the right to determine the form of payment.

(f)Deemed Exercise of Reference Stock Option. Upon the exercise of a Tandem Stock Appreciation Right, the Reference Stock Option or part thereof to which such Stock Appreciation Right is related shall be deemed to have been exercised for the purpose of the limitation set forth in Article IV of the Plan on the number of shares of Common Stock to be issued under the Plan.

(g)Non-Transferability. Tandem Stock Appreciation Rights shall be Transferable only when and to the extent that the underlying Stock Option would be Transferable under Section 6.4(e) of the Plan.

7.3 Non-Tandem Stock Appreciation Rights. Non-Tandem Stock Appreciation Rights may also be granted without reference to any Stock Options granted under the Plan.

7.4 Terms and Conditions of Non-Tandem Stock Appreciation Rights. Non-Tandem Stock Appreciation Rights granted hereunder shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Committee, and the following:

(a)Exercise Price. The exercise price per share of Common Stock subject to a Non-Tandem Stock Appreciation Right shall be determined by the Committee at the time of grant; provided that, the per share exercise price of a Non-Tandem Stock Appreciation Right shall not be less than 100% of the Fair Market Value of the Common Stock at the time of grant.

(b)Term. The term of each Non-Tandem Stock Appreciation Right shall be fixed by the Committee, but shall not be greater than 10 years after the date the right is granted.

(c)Exercisability. Unless otherwise provided by the Committee in accordance with the provisions of this Section 7.4, Non-Tandem Stock Appreciation Rights granted under the Plan shall be

exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at the time of grant. If the Committee provides, in its discretion, that any such right is exercisable subject to certain limitations (including, without limitation, that it is exercisable only in installments or within certain time periods), the Committee may waive such limitations on the exercisability at any time at or after grant in whole or in part (including, without limitation, waiver of the installment exercise provisions or acceleration of the time at which such right may be exercised), based on such factors, if any, as the Committee shall determine, in its sole discretion.

(d)Method of Exercise. Subject to whatever installment exercise and waiting period provisions apply under Section 7.4(c), Non-Tandem Stock Appreciation Rights may be exercised in whole or in part at any time in accordance with the applicable Award Agreement, by giving written notice of exercise to the Company specifying the number of Non-Tandem Stock Appreciation Rights to be exercised.

(e)Payment. Upon the exercise of a Non-Tandem Stock Appreciation Right a Participant shall be entitled to receive, for each right exercised, up to, but no more than, an amount in cash and/or Common Stock (as chosen by the Committee in its sole discretion) equal in value to the excess of the Fair Market Value of one share of Common Stock on the date that the right is exercised over the Fair Market Value of one share of Common Stock on the date that the right was awarded to the Participant.

(f)Termination. Unless otherwise determined by the Committee at grant or, if no rights of the Participant are reduced, thereafter, subject to the provisions of the applicable Award Agreement and the Plan, upon a Participant's Termination for any reason, Non-Tandem Stock Appreciation Rights will remain exercisable following a Participant's Termination on the same basis as Stock Options would be exercisable following a Participant's Termination in accordance with the provisions of Sections 6.4(f) through 6.4(j).

(g)Non-Transferability. No Non-Tandem Stock Appreciation Rights shall be Transferable by the Participant other than by will or by the laws of descent and distribution, and all such rights shall be exercisable, during the Participant's lifetime, only by the Participant.

7.5 Other Terms and Conditions. The Committee may include a provision in an Award Agreement providing for the automatic exercise of a Stock Appreciation Right on a cashless basis on the last day of the term of such Stock Appreciation Right if the Participant has failed to exercise the Stock Appreciation Right as of such date, with respect to which the Fair Market Value of the shares of Common Stock underlying the Stock Appreciation Right exceeds the exercise price of such Stock Appreciation Right on the date of expiration of such Stock Appreciation Right, subject to Section 15.4. Stock Appreciation Rights may contain such other provisions, which shall not be inconsistent with any of the terms of the Plan, as the Committee shall deem appropriate.

ARTICLE VIII RESTRICTED STOCK

8.1 Awards of Restricted Stock. Shares of Restricted Stock may be issued either alone or in addition to other Awards granted under the Plan. The Committee shall determine the Eligible Individuals, to whom, and the time or times at which, grants of Restricted Stock shall be made, the number of shares to be awarded, the price (if any) to be paid by the Participant (subject to Section 8.2), the time or times within which such Awards may be subject to forfeiture, the vesting schedule and rights to acceleration thereof, and all other terms and conditions of the Awards.

The Committee may condition the grant or vesting of Restricted Stock upon the attainment of specified performance targets (including, the Performance Goals) or such other factor as the Committee may determine in its sole discretion.

8.2 Awards and Certificates. Eligible Individuals selected to receive Restricted Stock shall not have any right with respect to such Award, unless and until such Participant has delivered a fully executed copy of the agreement evidencing the Award to the Company, to the extent required by the Committee, and has otherwise complied with the applicable terms and conditions of such Award. Further, such Award shall be subject to the following conditions:

(a)Purchase Price. The purchase price of Restricted Stock shall be fixed by the Committee. Subject to Section 4.2, the purchase price for shares of Restricted Stock may be zero to the extent permitted by applicable law, and, to the extent not so permitted, such purchase price may not be less than par value.

(b)Acceptance. Awards of Restricted Stock must be accepted within a period of 60 days (or such shorter period as the Committee may specify at grant) after the grant date, by executing a Restricted Stock agreement and by paying whatever price (if any) the Committee has designated thereunder.

(c)Legend. Each Participant receiving Restricted Stock shall be issued a stock certificate in respect of such shares of Restricted Stock, unless the Committee elects to use another system, such as book entries by the transfer agent, as evidencing ownership of shares of Restricted Stock. Such certificate shall be registered in the name of such Participant, and shall, in addition to such legends required by applicable securities laws, bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award.

(d)Custody. If stock certificates are issued in respect of shares of Restricted Stock, the Committee may require that any stock certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed, and that, as a condition of any grant of Restricted Stock, the Participant shall have delivered a duly signed stock power or other instruments of assignment (including a power of attorney), each endorsed in blank with a guarantee of signature if deemed necessary or appropriate by the Company, which would permit transfer to the Company of all or a portion of the shares subject to the Restricted Stock Award in the event that such Award is forfeited in whole or part.

8.3 Restrictions and Conditions. The shares of Restricted Stock awarded pursuant to the Plan shall be subject to the following restrictions and conditions:

(a)Restriction Period.

(i)The Participant shall not be permitted to Transfer shares of Restricted Stock awarded under the Plan during the period or periods set by the Committee (the "Restriction Period") commencing on the date of such Award, as set forth in the Restricted Stock Award Agreement and such agreement shall set forth a vesting schedule and any event that would accelerate vesting of the shares of Restricted Stock. Within these limits, based on service, attainment of Performance Goals pursuant to Section 8.3(a)(ii) and/or such other factors or criteria as the Committee may determine in its sole discretion, the Committee may condition the grant or provide for the lapse of such restrictions in installments in whole or in part, or may accelerate the vesting of all or any part of any Restricted Stock Award and/or waive the deferral limitations for all or any part of any Restricted Stock Award.

(ii) If the grant of shares of Restricted Stock or the lapse of restrictions is based on the attainment of Performance Goals, the Committee shall establish the objective Performance Goals and the applicable vesting percentage of the Restricted Stock applicable to each Participant or class of Participants in writing prior to the beginning of the applicable fiscal year or at such later date as otherwise determined by the Committee and while the outcome of the Performance Goals are substantially uncertain. Such Performance Goals may incorporate provisions for disregarding (or adjusting for) changes in accounting methods, corporate transactions (including, without limitation, dispositions and acquisitions) and other similar type events or circumstances.

(b) Rights as a Stockholder. Except as provided in Section 8.3(a) and this Section 8.3(b) or as otherwise determined by the Committee in an Award Agreement, the Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a holder of shares of Common Stock of the Company, including, without limitation, the right to receive dividends, the right to vote such shares and, subject to and conditioned upon the full vesting of shares of Restricted Stock, the right to tender such shares; provided, however, that unless otherwise determined by the Committee, payment of dividends shall be deferred until, and conditioned upon, the expiration of the applicable Restriction Period. For the sake of clarity, such deferred dividends will be forfeited if the Restricted Stock is forfeited.

(c) Termination. Unless otherwise determined by the Committee at grant or, if no rights of the Participant are reduced, thereafter, subject to the applicable provisions of the Award Agreement and the Plan, upon a Participant's Termination for any reason during the relevant Restriction Period, all Restricted Stock still subject to restriction will be forfeited in accordance with the terms and conditions established by the Committee at grant or thereafter.

(d) Lapse of Restrictions. If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock, the certificates for such Shares shall be delivered to the Participant. All legends shall be removed from said certificates at the time of delivery to the Participant, except as otherwise required by applicable law or other limitations imposed by the Committee.

ARTICLE IX PERFORMANCE AWARDS

9.1 Performance Awards. The Committee may grant a Performance Award to a Participant payable upon the attainment of specific Performance Goals. If the Performance Award is payable in shares of Common Stock, such shares shall be transferable to the Participant only upon attainment of the relevant Performance Goal in accordance with Article VIII. If the Performance Award is payable in cash, it may be paid upon the attainment of the relevant Performance Goals either in cash or in shares of Common Stock (based on the then current Fair Market Value of such shares), as determined by the Committee, in its sole and absolute discretion.

9.2 Terms and Conditions. Performance Awards awarded pursuant to this Article IX shall be subject to the following terms and conditions:

(a) Earning of Performance Award. At the expiration of the applicable Performance Period, the Committee shall determine the extent to which the Performance Goals are achieved and the percentage of each Performance Award that has been earned.

(b) Non-Transferability. Subject to the applicable provisions of the Award Agreement and the Plan, Performance Awards may not be Transferred during the Performance Period.

(c)Dividends. Unless otherwise determined by the Committee at the time of grant, amounts equal to dividends declared during the Performance Period with respect to the number of shares of Common Stock covered by a Performance Award will be deferred and paid to the Participant once such Performance Award has vested and been settled. For the sake of clarity, such deferred dividends will be forfeited if the Performance Award is forfeited.

(d)Payment. Following the Committee's determination in accordance with Section 9.2(a), the Company shall settle Performance Awards, in such form (including, without limitation, in shares of Common Stock or in cash) as determined by the Committee, in an amount equal to such Participant's earned Performance Awards.

(e)Termination. Subject to the applicable provisions of the Award Agreement and the Plan, upon a Participant's Termination for any reason during the Performance Period for a given Performance Award, the Performance Award in question will vest or be forfeited in accordance with the terms and conditions established by the Committee at grant.

(f)Accelerated Vesting. Based on service, performance and/or such other factors or criteria, if any, as the Committee may determine, the Committee may, at or after grant, accelerate the vesting of all or any part of any Performance Award.

ARTICLE X OTHER STOCK-BASED AND CASH-BASED AWARDS

10.1 Other Stock-Based Awards. The Committee is authorized to grant to Eligible Individuals Other Stock-Based Awards that are payable in, valued in whole or in part by reference to, or otherwise based on or related to Shares, including but not limited to, Shares awarded purely as a bonus and not subject to restrictions or conditions, shares of Common Stock in payment of the amounts due under an incentive or performance plan sponsored or maintained by the Company or an Affiliate, stock equivalent units, restricted stock units, and Awards valued by reference to book value of shares of Common Stock. Other Stock-Based Awards may be granted either alone or in addition to or in tandem with other Awards granted under the Plan.

Subject to the provisions of the Plan, the Committee shall have authority to determine the Eligible Individuals, to whom, and the time or times at which, such Awards shall be made, the number of shares of Common Stock to be awarded pursuant to such Awards, and all other conditions of the Awards. The Committee may also provide for the grant of Common Stock under such Awards upon the completion of a specified Performance Period.

The Committee may condition the grant or vesting of Other Stock-Based Awards upon the attainment of specified Performance Goals as the Committee may determine, in its sole discretion;

10.2 Terms and Conditions. Other Stock-Based Awards made pursuant to this Article X shall be subject to the following terms and conditions:

(a)Non-Transferability. Subject to the applicable provisions of the Award Agreement and the Plan, shares of Common Stock subject to Awards made under this Article X may not be Transferred prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

(b)Dividends. Unless otherwise determined by the Committee at the time of Award, subject to the provisions of the Award Agreement and the Plan, the recipient of an Award under this

Article X shall not be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents in respect of the number of shares of Common Stock covered by the Award.

(c) Vesting. Any Award under this Article X and any Common Stock covered by any such Award shall vest or be forfeited to the extent so provided in the Award Agreement, as determined by the Committee, in its sole discretion.

(d) Price. Common Stock issued on a bonus basis under this Article X may be issued for no cash consideration. Common Stock purchased pursuant to a purchase right awarded under this Article X shall be priced, as determined by the Committee in its sole discretion.

10.3 Other Cash-Based Awards. The Committee may from time to time grant Other Cash-Based Awards to Eligible Individuals in such amounts, on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by applicable law, as it shall determine in its sole discretion. Other Cash-Based Awards may be granted subject to the satisfaction of vesting conditions or may be awarded purely as a bonus and not subject to restrictions or conditions, and if subject to vesting conditions, the Committee may accelerate the vesting of such Awards at any time in its sole discretion. The grant of an Other Cash-Based Award shall not require a segregation of any of the Company's assets for satisfaction of the Company's payment obligation thereunder.

ARTICLE XI RSG LLC AWARDS

11.1 RSG LLC Common Unit Awards. RSG LLC Common Unit Awards shall be awards designed as either fully vested or restricted Common Units in RSG LLC or New RSG LLC (as defined in the LLC Agreements). The Committee is authorized to grant RSG LLC Common Unit Awards to Eligible Individuals under the terms and conditions determined by the Committee in its discretion, subject to any restrictions on such Common Units generally within the LLC Agreements.

11.2 RSG LLC Incentive Units. An RSG LLC Incentive Unit shall be designed as a "profits interest" within the meaning of Internal Revenue Service Revenue Procedures 93-27 and 2001-43. Each RSG LLC Incentive Unit will entitle the holder thereof to receive distributions from RSG LLC or New RSG LLC in accordance with the terms of the applicable LLC Agreement. The Committee will establish the terms and conditions applicable to the RSG LLC Incentive Units, including vesting or service requirements.

11.3 RSG LLC Awards Generally. The Committee is authorized, subject to limitations under applicable law, to grant other types of equity-based, equity-related or cash-based Awards valued in whole or in part by reference to, or otherwise calculated by reference to or based on, RSG LLC Units, in such amounts and subject to such terms and conditions as the Committee may determine (the "RSG LLC Awards"). RSG LLC Awards may entail the transfer of shares of Common Stock or RSG LLC Units to Award recipients. RSG LLC Awards may be in the same form as Awards that are permitted to be granted under the Plan generally with respect to Common Stock (with the exception of Incentive Stock Options), with all references to Common Stock replaced with references to the RSG LLC Units and all other definitions modified, if necessary for the context, to reflect RSG LLC or New RSG LLC rather than the Company. In addition to any Award Agreement governing an RSG LLC Award, the Committee may require that a recipient of an RSG LLC Award execute additional documentation to become a member of RSG LLC or New RSG LLC. RSG LLC Incentive Units and RSG LLC Common Unit Awards described above will be deemed to be RSG LLC Awards for purposes of the Plan. Notwithstanding anything to the contrary within the Plan or in any Award Agreement that governs an RSG LLC Award, the terms and conditions of all RSG LLC Awards shall be designed to comply with the LLC Agreements, and to the extent that there

is any inconsistency with the LLC Agreements within the Plan or the Award Agreement governing any RSG LLC Award, the terms of the LLC Agreements shall control.

ARTICLE XII CHANGE IN CONTROL PROVISIONS

12.1 **Benefits.** In the event of a Change in Control of the Company (as defined below), and except as otherwise provided by the Committee in an Award Agreement, a Participant's unvested Award shall not vest automatically and a Participant's Award shall be treated in accordance with one or more of the following methods as determined by the Committee:

(a) Awards, whether or not then vested, shall be continued, assumed, or have new rights substituted therefor, as determined by the Committee in a manner consistent with the requirements of Section 409A of the Code, and restrictions to which shares of Restricted Stock or any other Award granted prior to the Change in Control are subject shall not lapse upon a Change in Control and the Restricted Stock or other Award shall, where appropriate in the sole discretion of the Committee, receive the same distribution as other Shares on such terms as determined by the Committee; provided that, the Committee may decide to award additional Restricted Stock or other Awards in lieu of any cash distribution. Notwithstanding anything to the contrary herein, for purposes of Incentive Stock Options, any assumed or substituted Stock Option shall comply with the requirements of Treasury Regulation Section 1.424-1 (and any amendment thereto).

(b) The Committee, in its sole discretion, may provide for the purchase of any Awards by the Company or an Affiliate for an amount equal to the excess (if any) of the Change in Control Price (as defined below) of the Shares covered by such Awards, over the aggregate exercise price of such Awards. For purposes hereof, "Change in Control Price" shall mean the highest price per Share paid in any transaction related to a Change in Control of the Company.

(c) The Committee may, in its sole discretion, terminate all outstanding and unexercised Stock Options, Stock Appreciation Rights, or any Other Stock-Based Award that provides for a Participant elected exercise, effective as of the date of the Change in Control, by delivering notice of termination to each Participant at least twenty (20) days prior to the date of consummation of the Change in Control, in which case during the period from the date on which such notice of termination is delivered to the consummation of the Change in Control, each such Participant shall have the right to exercise in full all of such Participant's Awards that are then outstanding (without regard to any limitations on exercisability otherwise contained in the Award Agreements), but any such exercise shall be contingent on the occurrence of the Change in Control, and, provided that, if the Change in Control does not take place within a specified period after giving such notice for any reason whatsoever, the notice and exercise pursuant thereto shall be null and void.

(d) Notwithstanding any other provision herein to the contrary, the Committee may, in its sole discretion, provide for accelerated vesting or lapse of restrictions, of an Award at any time.

12.2 **Change in Control.** Unless otherwise determined by the Committee in the applicable Award Agreement or other written agreement with a Participant approved by the Committee, a "Change in Control" shall be deemed to occur if:

(a) any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company, an underwriter temporarily holding securities pursuant to an offering of such securities, or a corporation owned, directly or indirectly, by the stockholders of the Company in

substantially the same proportions as their ownership of stock in the Company) becoming the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding voting securities other than pursuant to a transaction that would not be a Change in Control pursuant to Section 12.2(b);

(b) a merger or consolidation of the Company or a Subsidiary with any other entity, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto 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 Company or such surviving entity or its ultimate parent company outstanding immediately after such merger or consolidation in substantially the same proportions as prior to such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person (other than those covered by the exceptions in Section 12.2(a)) acquires more than 50% of the combined voting power of the Company's then outstanding securities;

(c) at any time, Incumbent Directors cease to constitute a majority of the Board. For this purpose, "Incumbent Director" means each member of the Board on the Effective Date and each person whose election or nomination for election to the Board is approved by a majority of the Incumbent Directors; provided that, any person elected or nominated for election as the result of an actual or threatened proxy contest will not be considered to be an Incumbent Director. Notwithstanding the foregoing, for purposes of the Plan, the occurrence of the Registration Date or any change in the composition of the Board within one year following the Registration Date shall not be considered a Change in Control; or

(d) a complete liquidation or dissolution of the Company or the consummation of a sale or disposition by the Company of all or substantially all of the Company's assets (in one or a series of related transactions) (which for this purpose shall mean total assets which represent at least 70% or more of the total fair market value of the assets of the Company and its Subsidiaries on a consolidated basis) other than the sale or disposition of all or substantially all of the assets (in one or a series of related transactions), which for this purpose shall mean total assets which represent at least 70% or more of the total fair market value of the assets of the Company and its Subsidiaries on a consolidated basis to a Person or Persons who beneficially own, directly or indirectly, 50% or more of the combined voting power of the outstanding voting securities of the Company at the time of the sale.

Notwithstanding the foregoing: (i) a Change in Control will not be deemed to have occurred if Onex Corporation or one of its Affiliates (including any fund managed by Onex) directly or indirectly controls the Company; (ii) with respect to any Award that is characterized as "nonqualified deferred compensation" within the meaning of Section 409A of the Code, an event shall not be considered to be a Change in Control under the Plan for purposes of payment of such Award unless such event is also a "change in ownership," a "change in effective control" or a "change in the ownership of a substantial portion of the assets" of the Company within the meaning of Section 409A of the Code; and (iii) for purposes of this Section 12.2, with respect to any RSG LLC Award, the term "Company" shall be replaced with "RSG LLC" or "New RSG LLC," as applicable.

12.3 Initial Public Offering not a Change in Control. Notwithstanding the foregoing, for purposes of the Plan, the occurrence of the Registration Date or any change in the composition of the Board within one year following the Registration Date shall not be considered a Change in Control.

**ARTICLE XIII
TERMINATION OR AMENDMENT OF PLAN**

Notwithstanding any other provision of the Plan, the Board may at any time, and from time to time, amend, in whole or in part, any or all of the provisions of the Plan (including any amendment deemed necessary to ensure that the Company may comply with any regulatory requirement referred to in Article XV or Section 409A of the Code), or suspend or terminate it entirely, retroactively or otherwise; provided, however, that unless otherwise required by law or specifically provided herein, the rights of a Participant with respect to Awards granted prior to such amendment, suspension or termination, may not be impaired without the consent of such Participant and, provided, further, that without the approval of the holders of Shares entitled to vote in accordance with applicable law, no amendment may be made that would (i) increase the aggregate number of Shares that may be issued under the Plan (except by operation of Section 4.2); (ii) change the classification of individuals eligible to receive Awards under the Plan; (iii) decrease the minimum option price of any Stock Option or Stock Appreciation Right; (iv) extend the maximum option period under Section 6.4; (v) award any Stock Option or Stock Appreciation Right in replacement of a canceled Stock Option or Stock Appreciation Right with a higher exercise price than the replacement award; or (vi) require stockholder approval in order for the Plan to continue to comply with the applicable provisions of Section 422 of the Code. In no event may the Plan be amended without the approval of the holders of Shares entitled to vote in accordance with the applicable laws of the State of Delaware to increase the aggregate number of Shares that may be issued under the Plan, decrease the minimum exercise price of any Award, or to make any other amendment that would require stockholder approval under Financial Industry Regulatory Authority (FINRA) rules and regulations or the rules of any exchange or system on which the Company's, RSG LLC's or New RSG LLC's securities are listed or traded at the request of the Company. Notwithstanding anything herein to the contrary, the Board may amend the Plan or any Award Agreement at any time without a Participant's consent to comply with applicable law including Section 409A of the Code. The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, but, subject to Article IV or as otherwise specifically provided herein, no such amendment or other action by the Committee shall impair the rights of any holder without the holder's consent. The Committee shall have the discretion, without the approval of the holders of Shares and as permitted by applicable law, to cause any Option or Stock Appreciation Right to (A) be amended to decrease the exercise price thereof, (B) be canceled at a time when its exercise price exceeds the Fair Market Value of the underlying Shares in exchange for another Option or Stock Appreciation Right or any cash payment, or (C) be subject to any action that would be treated, for accounting purposes, as a "repricing" of such Option or Stock Appreciation Right.

**ARTICLE XIV
UNFUNDED STATUS OF PLAN**

The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payment as to which a Participant has a fixed and vested interest but which are not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any right that is greater than those of a general unsecured creditor of the Company.

**ARTICLE XV
GENERAL PROVISIONS**

15.1 Legend. The Committee may require each Person receiving Shares pursuant to a Stock Option or other Award under the Plan to represent to and agree with the Company in writing that the Participant is acquiring the Shares without a view to distribution thereof. In addition to any legend required by the Plan, the certificates for such Shares may include any legend that the Committee deems appropriate to reflect any restrictions on Transfer. All certificates for Shares delivered under the Plan shall be subject to such stop

transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed or any national securities exchange system upon whose system the Shares are then quoted, any applicable federal or state securities law, and any applicable corporate law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

15.2 Other Plans. Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required, and such arrangements may be either generally applicable or applicable only in specific cases.

15.3 No Right to Employment/Directorship/Consultancy. Neither the Plan nor the grant of any Option or other Award hereunder shall give any Participant or other employee, Consultant or Non-Employee Director any right with respect to continuance of employment, consultancy or directorship by the Company or any Affiliate, nor shall there be a limitation in any way on the right of the Company or any Affiliate by which an employee is employed or a Consultant or Non-Employee Director is retained to terminate such employment, consultancy or directorship at any time.

15.4 Withholding of Taxes. The Company, or an Affiliate, as applicable, shall have the right to deduct from any payment to be made pursuant to the Plan, or to otherwise require, prior to the issuance or delivery of Shares or the payment of any cash hereunder, payment by the Participant of, any federal, state or local taxes required by law to be withheld. Upon the vesting of Restricted Stock (or other Award that is taxable upon vesting), or upon making an election under Section 83(b) of the Code, a Participant shall pay all required withholding to the Company. Any minimum statutorily required withholding obligation with regard to any Participant may be satisfied, subject to the consent of the Committee, by reducing the number of Shares otherwise deliverable or by delivering Shares already owned. Furthermore, at the discretion of the Committee, any additional tax obligations of a Participant with respect to an Award may be satisfied by further reducing the number of Shares, otherwise deliverable with respect to such Award, to the extent that such reductions do not result in any adverse accounting implications to the Company, as determined by the Committee. Any fraction of a Share required to satisfy any such tax obligations shall be disregarded and the amount due shall be paid instead in cash by the Participant.

15.5 No Assignment of Benefits. No Award or other benefit payable under the Plan shall, except as otherwise specifically provided by law or permitted by the Committee, be Transferable in any manner, and any attempt to Transfer any such benefit shall be void, and any such benefit shall not in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any Person who shall be entitled to such benefit, nor shall it be subject to attachment or legal process for or against such Person. All transfer of RSG LLC Units shall also be subject to the restrictions contained in the LLC Agreements.

15.6 Listing and Other Conditions.

(a) Unless otherwise determined by the Committee, as long as the Shares are listed on a national securities exchange or system sponsored by a national securities association, the issuance of Shares pursuant to an Award shall be conditioned upon such Shares being listed on such exchange or system. The Company shall have no obligation to issue such Shares unless and until such Shares are so listed, and the right to exercise any Option or other Award with respect to such Shares shall be suspended until such listing has been effected.

(b) If at any time counsel to the Company shall be of the opinion that any sale or delivery of Shares pursuant to an Option or other Award is or may in the circumstances be unlawful or result in the imposition of excise taxes on the Company under the statutes, rules or regulations of any applicable

jurisdiction, the Company shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act or otherwise, with respect to Shares or Awards, and the right to exercise any Option or other Award shall be suspended until, in the opinion of said counsel, such sale or delivery shall be lawful or will not result in the imposition of excise taxes on the Company.

(c) Upon termination of any period of suspension under this Section 15.6, any Award affected by such suspension which shall not then have expired or terminated shall be reinstated as to all shares available before such suspension and as to shares which would otherwise have become available during the period of such suspension, but no such suspension shall extend the term of any Award.

(d) A Participant shall be required to supply the Company with certificates, representations and information that the Company requests and otherwise cooperate with the Company in obtaining any listing, registration, qualification, exemption, consent or approval the Company deems necessary or appropriate.

15.7 Governing Law. The Plan and actions taken in connection herewith shall be governed and construed in accordance with the laws of the State of Delaware (regardless of the law that might otherwise govern under applicable Delaware principles of conflict of laws).

15.8 Jurisdiction; Waiver of Jury Trial. Any suit, action or proceeding with respect to the Plan or any Award Agreement, or any judgment entered by any court of competent jurisdiction in respect of any thereof, shall be resolved only in the courts of the State of Delaware or the United States District Court for the District of Delaware and the appellate courts having jurisdiction of appeals in such courts. In that context, and without limiting the generality of the foregoing, the Company and each Participant shall irrevocably and unconditionally (a) submit in any proceeding relating to the Plan or any Award Agreement, or for the recognition and enforcement of any judgment in respect thereof (a "Proceeding"), to the exclusive jurisdiction of the courts of the State of Delaware, the court of the United States of America for the District of Delaware, and appellate courts having jurisdiction of appeals from any of the foregoing, and agree that all claims in respect of any such Proceeding shall be heard and determined in such Delaware State court or, to the extent permitted by law, in such federal court, (b) consent that any such Proceeding may and shall be brought in such courts and waives any objection that the Company and each Participant may now or thereafter have to the venue or jurisdiction of any such Proceeding in any such court or that such Proceeding was brought in an inconvenient court and agree not to plead or claim the same, (c) waive all right to trial by jury in any Proceeding (whether based on contract, tort or otherwise) arising out of or relating to the Plan or any Award Agreement, (d) agree that service of process in any such Proceeding may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party, in the case of a Participant, at the Participant's address shown in the books and records of the Company or, in the case of the Company, at the Company's principal offices, attention General Counsel, and (e) agree that nothing in the Plan shall affect the right to effect service of process in any other manner permitted by the laws of the State of Delaware.

15.9 Construction. Wherever any words are used in the Plan in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply, and wherever words are used herein in the singular form they shall be construed as though they were also used in the plural form in all cases where they would so apply.

15.10 Other Benefits. No Award granted or paid out under the Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Company or its Affiliates nor affect any benefit under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation.

15.11 Costs. The Company shall bear all expenses associated with administering the Plan, including expenses of issuing Shares pursuant to Awards hereunder.

15.12 No Right to Same Benefits. The provisions of Awards need not be the same with respect to each Participant, and such Awards to individual Participants need not be the same in subsequent years.

15.13 Death/Disability. The Committee may in its discretion require the transferee of a Participant to supply it with written notice of the Participant's death or Disability and to supply it with a copy of the will (in the case of the Participant's death) or such other evidence as the Committee deems necessary to establish the validity of the transfer of an Award. The Committee may also require that the agreement of the transferee to be bound by all of the terms and conditions of the Plan.

15.14 Section 16(b) of the Exchange Act. All elections and transactions under the Plan by Persons subject to Section 16 of the Exchange Act involving Shares are intended to comply with any applicable exemptive condition under Rule 16b-3. The Committee may establish and adopt written administrative guidelines, designed to facilitate compliance with Section 16(b) of the Exchange Act, as it may deem necessary or proper for the administration and operation of the Plan and the transaction of business thereunder.

15.15 Section 409A of the Code. The Plan is intended to comply with the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. To the extent that any Award is subject to Section 409A of the Code, it shall be paid in a manner that will comply with Section 409A of the Code, including proposed, temporary or final regulations or any other guidance issued by the Secretary of the Treasury and the Internal Revenue Service with respect thereto. Notwithstanding anything herein to the contrary, any provision in the Plan that is inconsistent with Section 409A of the Code shall be deemed to be amended to comply with Section 409A of the Code and to the extent such provision cannot be amended to comply therewith, such provision shall be null and void. The Company shall have no liability to a Participant, or any other party, if an Award that is intended to be exempt from, or compliant with, Section 409A of the Code is not so exempt or compliant or for any action taken by the Committee or the Company and, in the event that any amount or benefit under the Plan becomes subject to penalties under Section 409A of the Code, responsibility for payment of such penalties shall rest solely with the affected Participants and not with the Company. Notwithstanding any contrary provision in the Plan or Award Agreement, any payment(s) of "nonqualified deferred compensation" (within the meaning of Section 409A of the Code) that are otherwise required to be made under the Plan to a "specified employee" (as defined under Section 409A of the Code) as a result of such employee's separation from service (other than a payment that is not subject to Section 409A of the Code) shall be delayed for the first six (6) months following such separation from service (or, if earlier, the date of death of the specified employee) and shall instead be paid (in a manner set forth in the Award Agreement) upon expiration of such delay period.

15.16 Successor and Assigns. The Plan shall be binding on all successors and permitted assigns of a Participant, including, without limitation, the estate of such Participant and the executor, administrator or trustee of such estate.

15.17 Severability of Provisions. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

15.18 Payments to Minors, Etc. Any benefit payable to or for the benefit of a minor, an incompetent Person or other Person incapable of receipt thereof shall be deemed paid when paid to such Person's guardian or to the party providing or reasonably appearing to provide for the care of such Person,

and such payment shall fully discharge the Committee, the Board, the Company, its Affiliates and their employees, agents and representatives with respect thereto.

15.19 Lock-Up Agreement. As a condition to the grant of an Award, if requested by the Company and the lead underwriter of any public offering of the Shares (the "Lead Underwriter"), a Participant shall irrevocably agree not to sell, contract to sell, grant any option to purchase, transfer the economic risk of ownership in, make any short sale of, pledge or otherwise transfer or dispose of, any interest in any Shares or any securities convertible into, derivative of, or exchangeable or exercisable for, or any other rights to purchase or acquire Shares (except Shares included in such public offering or acquired on the public market after such offering) during such period of time following the effective date of a registration statement of the Company filed under the Securities Act that the Lead Underwriter shall specify (the "Lock-Up Period"). The Participant shall further agree to sign such documents as may be requested by the Lead Underwriter to effect the foregoing and agree that the Company may impose stop-transfer instructions with respect to Shares acquired pursuant to an Award until the end of such Lock-Up Period.

15.20 Headings and Captions. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

15.21 Company Recoupment of Awards. A Participant's rights with respect to any Award hereunder shall in all events be subject to (i) any right that the Company may have under any Company recoupment policy or other agreement or arrangement with a Participant, or (ii) any right or obligation that the Company may have to the extent required by applicable law or as required by an stock exchange or quotation system in which the Shares are listed or quoted including by not limited to but not limited to Section 304 of the Sarbanes-Oxley Act of 2002 and Section 10D of the Exchange Act, and any other applicable rules and regulations promulgated thereunder from time to time by the U.S. Securities and Exchange Commission.

ARTICLE XVI EFFECTIVE DATE OF PLAN

The Plan shall become effective on the date that is two days immediately prior to the Registration Date subject to the approval of the Plan by the stockholders of the Company in accordance with the requirements of the laws of the State of Delaware.

ARTICLE XVII TERM OF PLAN

No Award shall be granted pursuant to the Plan on or after the tenth anniversary of the earlier of the date that the Plan is adopted or the date of stockholder approval, but Awards granted prior to such tenth anniversary may extend beyond that date.

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Patrick G. Ryan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ryan Specialty Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2022

/s/ Patrick G. Ryan

Patrick G. Ryan
Chief Executive Officer and Chairman

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Jeremiah R. Bickham, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ryan Specialty Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2022

/s/ Jeremiah R. Bickham

Jeremiah R. Bickham

Executive Vice President and Chief Financial Officer

Certification of the Chief Executive Officer

Pursuant to Rule 18 U.S.C. Section 1350

In connection with the Quarterly Report on Form 10-Q of Ryan Specialty Holdings, Inc. (the "Company") for the period ended June 30, 2022, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Patrick G. Ryan, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2022

/s/ Patrick G. Ryan

Patrick G. Ryan

Chief Executive Officer and Chairman

Certification of the Chief Financial Officer

Pursuant to Rule 18 U.S.C. Section 1350

In connection with the Quarterly Report on Form 10-Q of Ryan Specialty Holdings, Inc. (the "Company") for the period ended June 30, 2022, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Jeremiah R. Bickham, Executive Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2022

/s/ Jeremiah R. Bickham

Jeremiah R. Bickham
Executive Vice President and Chief
Financial Officer
