Table of Contents

As filed with the Securities and Exchange Commission on June 8, 2020

Registration No. 333-

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

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Lemonade, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

6331
(Primary Standard Industrial
Classification Code Number)

32-0469673
(I.R.S. Employer
Identification No.)

5 Crosby Street, 3rd Floor
New York, New York 10013
(844) 733-8666

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Daniel Schreiber, Chief Executive Officer
Shai Wininger, Chief Operating Officer
Lemonade, Inc.
5 Crosby Street, 3rd Floor
New York, New York 10013
(844) 733-8666

(Name, address, including zip code, and telephone number including area code, of agent for service)

Copies of all communications, including communications sent to agent for service, should be sent to:

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(212) 906-1200

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Colin Diamond
Era Anagnosti
White & Case LLP
1221 Avenue of the Americas
New York, New York 10020
(212) 819-8200

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

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

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities
Act registration statement number of the earlier effective registration statement for the same offering.

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth

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

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

CALCULATION OF REGISTRATION FEE

<table>
<thead>
<tr>
<th>Title of Each Class of Securities to be Registered</th>
<th>Proposed Maximum Aggregate Offering Price(1)(2)</th>
<th>Amount of Registration Fee(3)</th>
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<tr>
<td>Common stock, par value $0.00001 per share</td>
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(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes the aggregate offering price of additional shares that the underwriters have the option to purchase from the registrant.

(3) To be paid in connection with the initial filing of the registration statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a
further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of
1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.
This is the initial public offering of Lemonade, Inc. We are selling shares of our common stock. Prior to this offering, there has been no public market for our common stock. The initial public offering price is expected to be between $ and $ per share of our common stock. We intend to apply to list our common stock on the New York Stock Exchange under the symbol “LMND.”

We are an “emerging growth company,” as defined in Section 2(a) of the Securities Act of 1933, as amended (the “Securities Act”), and will be subject to reduced public company reporting requirements. See “Prospectus Summary — Implications of Being an Emerging Growth Company.” We are incorporated in Delaware as a public benefit corporation as a demonstration of our long-term commitment to make insurance a public good. See “Prospectus Summary — Public Benefit Corporation.”

Investing in our common stock involves risks. See “Risk Factors” beginning on page 20 to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission (“SEC”) nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

<table>
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<tr>
<th>Initial Public Offering Price</th>
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<tr>
<td>Underwriting Discounts and Commissions</td>
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<tr>
<td>Proceeds, Before Expenses, to Lemonade, Inc.</td>
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(1) See “Underwriting” for a description of the compensation payable to the underwriters.

The underwriters have an option for a period of 30 days from the date of this prospectus to purchase up to a maximum of additional shares of our common stock from us at the public offering price, less the underwriting discounts and commissions. Delivery of the shares of common stock will be made on or about , 2020.

GOLDMAN SACHS & CO. LLC
MORGAN STANLEY
ALLEN & COMPANY LLC
BARCLAYS
JMP SECURITIES
OPPENHEIMER & CO.
WILLIAM BLAIR
LIONTREE

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

You should rely only on the information contained in this prospectus and any free writing prospectus prepared by or on behalf of us that we have referred to you. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. Offers to sell, and solicitations of offers to buy, shares of our common stock are being made only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, financial condition, operating results and prospects may have changed since such date.

No action is being taken in any jurisdiction outside the United States to permit a public offering of our common stock. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restriction as to this offering and the distribution of this prospectus applicable to those jurisdictions.
PROSPECTUS SUMMARY

The following summary highlights selected information about our company and this offering that is included elsewhere in this prospectus in greater detail. It does not contain all of the information that you should consider before investing in our common stock. Before investing in our common stock, you should read this entire prospectus carefully, including the information presented under the heading "Risk Factors" and in our consolidated financial statements and notes thereto.

In this prospectus, unless we indicate otherwise or the context requires, "Lemonade, Inc." "Lemonade," "the company," "our company," "the registrant," "we," "our," "ours" and "us" refer to Lemonade, Inc. and its consolidated subsidiaries, including Lemonade Insurance Company and Lemonade Insurance Agency, LLC; and "homeowners" includes condo owners.

Our Mission

Harness technology and social impact to be the world's most loved insurance company.

Overview

Lemonade is rebuilding insurance from the ground up on a digital substrate and an innovative business model. By leveraging technology, data, artificial intelligence, contemporary design, and behavioral economics, we believe we are making insurance more delightful, more affordable, more precise, and more socially impactful. To that end, we have built a vertically-integrated company with wholly-owned insurance carriers in the United States and Europe, and the full technology stack to power them.

A two minute chat with our bot, AI Maya, is all it takes to get covered with renters or homeowners insurance, and we expect to offer a similar experience for other insurance products over time. Claims are filed by chatting to another bot, AI Jim, who pays claims in as little as three seconds. This breezy experience belies the extraordinary technology that enables it: a state-of-the-art platform that spans marketing to underwriting, customer care to claims processing, finance to regulation. Our architecture melds artificial intelligence with the human kind and learns from the prodigious data it generates to become ever better at delighting customers and quantifying risk.

In addition to digitizing insurance end-to-end, we also reimagined the underlying business model to minimize volatility while maximizing trust and social impact. In a departure from the traditional insurance model, where profits can literally depend on the weather, we typically retain a fixed fee, currently 25% of premiums, and our gross margins are expected to change little in good years and in bad. At Lemonade, excess claims are generally offloaded to reinsurers, while excess premiums are usually donated to nonprofits selected by our customers as part of our annual "Giveback". These two ballasts, reinsurance and Giveback, reduce volatility, while creating an aligned, trustful, and values-rich relationship with our customers. See "Business — Our Business Model" and "Business — Our Product Offerings — Giveback Feature."

Lemonade's cocktail of delightful experience, aligned values, and great prices enjoys broad appeal, while over indexing on younger and first time buyers of insurance. As these customers progress through predictable lifecycle events, their insurance needs normally grow to encompass more and higher-value products: renters regularly acquire more property and frequently upgrade to successively larger homes; home buying often coincides with a growing household and a corresponding need for life or pet insurance, and so forth. These progressions can trigger orders-of-magnitude jumps in insurance premiums.

The result is a business with highly-recurring and naturally-growing revenue streams; a level of automation that we believe delights consumers while collapsing costs; and an architecture that
generates and employs data to price and underwrite risk with ever-greater precision to the benefit of our company, our customers and their chosen nonprofits.

This powerful trifecta, delightful experience, aligned values, and great prices, has delivered rapid growth alongside steadily improving results:

Since our launch in late 2016, our gross written premium ("GWP") grew from $9 million in 2017, to $47 million a year later, and to $116 million in 2019. For the three months ended March 31, 2020, our GWP was $38 million. In parallel, our net losses per dollar of GWP dropped from over $3 in 2017 to under $1 both in 2019 and for the three months ended March 31, 2020. Our revenue was $2 million, $23 million, and $67 million in 2017, 2018 and 2019, respectively, and our net losses were $28 million, $53 million, and $109 million, respectively. For the three months ended March 31, 2020, our revenue was $26 million and our net losses were $37 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Components of Our Results of Operations — Revenue — Gross Written Premium."

In parallel to this growth of topline and increasing efficiencies, our gross loss ratio declined steadily from 161% in 2017, to 113% in 2018, to 79% in 2019 and to 72% for the three months ended March 31, 2020. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Operating and Financial Metrics."

Why We Love Insurance

Insurance is one of the largest industries in the world. Property, casualty, and life insurance premiums amount to approximately $5 trillion globally, and account for 11% of gross domestic product in the United States.

The scale of the industry is an indicator of the essential role insurance plays in our economy and society. Most homes, cars, and businesses in the United States have some type of insurance coverage. Laws, lenders, and landlords often mandate insurance, making it a non-discretionary product that remains largely unaffected by economic cycles. We believe people typically buy insurance for their entire adult life, producing highly-recurring and naturally-growing participatory revenue streams.

These dynamics have produced large, enduring businesses. In the United States, 12 of the Fortune 100 companies are insurance companies, and their average age is about 125 years old. More remarkably, while the world's top insurance companies each generate over $100 billion in revenue, no single company has a market share greater than 4%, underscoring the sheer scale of the industry.

Insurance is, at its core, a social good. At a mathematical level, insurance is about a community of people pooling their monies to help their more unfortunate members in their hour of need. This safety net affords individuals the peace of mind they need to buy a home, go on vacation or open a business. Put differently: insurance allows people to trade the risk of a
disastrous loss in the future for the certainty of an affordable loss now. It is a trade that enables the very fabric of contemporary society.

Why We Love Technology

Technology pushes the frontier of what is possible. It changes what we can measure, the efficiency with which we work, and the speed with which we communicate. As our capabilities advance, consumers come to expect and demand more. Measurement begs for personalization; efficiency calls for lower prices; speed demands better service. Experiences that once seemed reasonable, turn frustrating.

These unrelenting forces have transformed industry after industry, and are poised to do the same for insurance. Incumbents are wise to this, and work valiantly to graft new technologies onto their established businesses. But generations of legacy make that hard: vast networks of brokers, decades of cumulative investment in disparate IT systems, corporate cultures adapted for legacy preservation rather than business transformation, and policy-centric rather than customer-centric organizations. Each has their historical reasons, but all seem maladapted today.

This divergence of fortunes — amazing industry, encumbered incumbents — creates space for a new kind of insurance company, one built from scratch on a digital substrate, a contemporary business model and no legacy. It is this secular shift that our strategy is designed to exploit.

Our Strategy

We seek to capitalize on the structural advantages inherent in being a digitally-native, customer-centric, and vertically-integrated insurance company by:

1. Harnessing our delightful experience, aligned values, and advantaged cost structure to appeal to consumers broadly, and particularly to the next generation of consumers, whom incumbents struggle to serve;

2. Then growing with those customers as their insurance needs increase naturally and substantially;

3. All the while leveraging our closed-loop system, by which copious amounts of data we generate make our business ever faster, cheaper, and more precise, to further delight consumers and extend our competitive advantage.

Appeal to the Next Generation of Consumers

While the rest of the industry typically appeals to established consumers with the 'I switched and I saved' value proposition, we are largely competing with non-consumption, attracting consumers incumbents want, but doing so years before they are ripe for legacy providers.

Approximately 70% of our current customers are under the age of 35, and about 90% of our customers said they were not switching from another carrier. We have achieved this outsized share among newer cohorts through a three-pronged consumer value proposition:

• Delightful Experience. We bring insurance to the mobile-first, digitally-native world. Our playful bots make for a fun, fast, and interactive app-based experience across every step of the insurance process.

• Aligned Values. Our status as a Certified B Corp and our commitment to aligning incentives through social impact serve as the foundation for our fundamentally reimagined relationship with our customers.
Great Prices. Architected from the ground up to be direct, fully digital, highly automated and constantly learning, our technology allows us to target, convert, and serve customers more efficiently than the typical incumbent. This structural cost advantage is especially pronounced in entry-level renters insurance, where operational costs for incumbents can eclipse claims cost as a percentage of premiums.

Grow With Our Customers

We currently spend $1 in marketing to generate more than $2 of in force premium ("IFP"), which has been approximately equal to annualized GWP. For information regarding how we calculate IFP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Operating and Financial Metrics — In Force Premium." Given our subscription-based model, we believe that the lifetime value of our customers is significantly higher than our cost of acquiring them, and our ability to acquire them earlier, at a stage that incumbents struggle to, should pay dividends for decades to come.

Unlike many other products or services, the need for insurance grows in line with the wealth and age of its customers, as accumulated assets and growing responsibilities naturally translate into higher insurance spend. One illustration of this trend is how, on average, our renters insurance customers steadily increase spending on their renters insurance policy with us over time. Customers who bought Lemonade renters insurance three years ago spend 56% more on their renters insurance now than when they first joined. This germination can be observed across our book of business, spurred by the accumulation of wealth people typically enjoy during their working years. According to the Federal Reserve, the median net worth of an adult American under the age of 35 is about $11,000. By their 40s and 50s, their net worth has grown by 10 to 15 times, and that growth peaks at 25 times after the age of 75.

This propensity towards asset accumulation is reflected in our numbers. As of March 31, 2020, the median age of a Lemonade customer with an entry level $60 a year policy — corresponding to $10,000 of possessions — is about 30 years old. This climbs towards 40 for customers with policies of about $600, and among the handful of customers paying approximately $6,000 a year, the median age is about 50.

Further demonstration of this progression is found in a phenomenon we call "graduation," which is when a customer upgrades their policy from a Lemonade renters policy to a Lemonade condo or homeowner policy. As of March 31, 2020, we had 12,445 customers of condo insurance policies, 10% of whom had graduated with us from a renters policy, a percentage that has grown steadily over the life of the company. For information on our total customers, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Operating and Financial Metrics."
We believe graduation improves unit economics dramatically, as premiums jump several fold with virtually no incremental cost to acquire the additional premiums. The average renter pays us nearly $150 per year, and that jumps to around $900 for owners of homes and condos.

**Capitalize On Our Closed-Loop System**

We operate our own full-stack property and casualty ("P&C") insurance carriers in both the United States and Europe, built on top of a unified, proprietary, state-of-the-art technology platform. This vertical integration not only affords us an advantage in cost and speed, but creates a system that learns as it goes, extending these advantages with every rotation of the flywheel.

Our digital platform is designed to delight consumers, fueling rapid growth, which spawns highly predictive data, that our machine learning crunches to make our platform even better at evaluating risk and delighting consumers, fueling further growth ... and so on. This feedback loop is visible in the continuous improvement in our key performance indicators since our launch: our gross loss ratio has declined by 296 percentage points from the first quarter of 2017 to the first quarter of 2020, even as the compounded annual growth rate ("CAGR") of our IFP over this period was more than 450%.
Our Business Model

At the foundation of our business model is a direct, digital, customer-centric experience that delivers rapid growth and strong retention. Our customer centricity runs deep, and our underlying business model is designed to align interests between us and our customers. This technology-first customer acquisition and retention strategy, combined with our unconflicted business model, results in a highly attractive financial model based on:

- **Leveraging technology in everything we do.** Our digital substrate enables us to integrate marketing and onboarding with underwriting and claims processing, collecting and deploying data throughout, to constantly drive efficient customer acquisition, enhance the experience, and mitigate risk.

- **Alignment of our interests with those of our customers.** We seek to encourage good behavior and build a long-term relationship based on mutual trust by endeavoring to decouple our financial incentives from variability in claims. In our model, we minimize any incentive to deny legitimate claims as we aim to give back, rather than pocket, leftover monies. After our customers purchase a policy, we ask them to designate a charitable cause for us to support with the residual premiums from their policy. Despite there being no contractual obligation requiring us to donate leftover premiums to nonprofits, when a customer embellishes a claim, such customer reduces the total amount available that can be contributed to nonprofits. As a result, we believe customers are less inclined to embellish claims as they would be hurting a nonprofit they care about, rather than an insurance company they do not.
• **Strong retention rates and a subscription-based model.** The resulting highly-recurring revenue streams ensure stability in our topline results, while our reinsurance construct, in turn, largely eliminates the bottom-line volatility inherent in traditional insurance companies.

**Our Technology**

**Data Advantage**

Our proprietary and entirely integrated technology stack is a key enabler of our strategy and business model. Interactions with our customers across our platform generate a trove of data, which in turn improves interactions with our customers across our platform:

- **AI Maya:** Our playful onboarding and customer experience bot sells our policies and handles everything from collecting information and personalizing coverage to creating quotes and facilitating payments.

- **AI Jim:** Our claims bot handles the “first notice of loss” for 96% of claims as of March 31, 2020, and in approximately a third of cases can manage the entire claim through resolution without any human involvement.

- **CX.AI:** Our bot platform is built to understand and instantly resolve customer requests without human intervention. About a third of all customer inquiries are handled this way.

- **Forensic Graph:** Our forensic platform utilizes the combined power of behavioral economics, big data, and AI to predict, deter, detect, and block fraud throughout the customer engagement.

- **Blender:** Our insurance management platform facilitates robust collaboration among our customer experience, underwriting, claims, growth, marketing, finance, and risk teams.

- **Cooper:** Our automation bot handles complex and repetitive internal tasks to drive efficiency across our organization.
Growth Opportunities

Key drivers of our growth opportunities include:

• **Acquiring more customers.** We believe we can capitalize on the large and growing underserved market of first-time insurance buyers.

• **Growing with our existing customer base.** As our customers move up the economic ladder and through lifecycle events, their coverage needs typically expand substantially, enabling us to increase revenue per customer.

• **Launching new products.** Our customers' lifecycle events trigger the need for additional insurance products that we expect to provide in the future.

• **Expanding into new geographies.** Our scalable digital operation, and universal value proposition, allow us to quickly launch and gain share in new markets.

Our Product Offerings

*Renters and Homeowners Insurance*

We currently offer our products to renters and homeowners in the United States and contents and liability insurance in Germany and the Netherlands. The insurance we offer in the United States covers stolen or damaged property, and also covers personal liability, which protects our customers if they are responsible for an accident or damage to another person or their property. In a number of states, we also offer landlord insurance policies to condo and co-op owners who rent out their property less than five times a year, to protect their real and personal properties. We are currently licensed to conduct our insurance business in 40 states of the United States and we operate in 28 of those states, including Washington, D.C., which are home to approximately 75% of the U.S. population. We currently hold a pan-European license, which allows us to sell in 31 countries across Europe.

*Giveback Feature*

Giveback is a distinctive feature, whereby each year we aim to donate leftover money to causes our customers care about. After our customers purchase a policy, we ask them to select, from a pre-vetted list, a charitable cause for us to support with the residual premiums from their policy (the “Giveback”). The Giveback is paid only if payment is authorized by Lemonade Insurance Company's board of directors in its sole discretion and consistent with its duty of care. As part of our 2019 annual Giveback, we donated over $600,000 to 26 nonprofit organizations selected by our customers, and we have contributed an aggregate of over $800,000 to nonprofits since our first annual Giveback in 2017. See "Business — Our Business Model" and "Business — Our Product Offerings — Giveback Feature."

*Reinsurance*

Insurance often produces businesses with highly recurring revenue streams, and hence predictable top lines, but with significant bottom-line volatility, as profits can literally fluctuate with the weather. Earthquakes, hailstorms, wildfires and hurricanes strike with caprice, and can push an otherwise profitable business deep into the red with little or no warning.

The first-order consequence of this uncertainty is that insurers often see unwelcome swings in their results. The second-order consequence is that regulators require insurers to keep significant reserves to absorb these swings, making them capital intensive. In defiance of these industry norms, we set out to architect our business to be at once capital-light and possessed of predictable
and growing gross margins. Through judicious use of "reinsurance," we believe we have largely achieved these goals.

Reinsurance is a financial instrument under which one insurer, the "reinsurer," agrees to cover a portion of the claims of another insurer, the "primary insurer," in return for a portion of their premium. While this description characterizes all reinsurance, implementations come in different flavors, each with its own costs and benefits. We have entered into a range of reinsurance agreements, differing in both duration and terms, which combine, we believe, to deliver maximum capital efficiency, while optimizing our gross margins for both stability and size.

Proportional Reinsurance: Maximize Capital Efficiency

The low cost of capital for reinsurance companies creates an opportunity to share premiums and maintain our gross margins while dramatically reducing our capital requirements through a structure called "proportional reinsurance" (also known as "quota share reinsurance"). Beginning on July 1, 2020, we will have proportional reinsurance protecting 75% of our business (the "Proportional Reinsurance Contracts"). Under the Proportional Reinsurance Contracts, which spans all of our products and geographies, we transfer, or "cede," 75% of our premiums to our reinsurers. In exchange, these reinsurers pay us a "ceding commission" of 25% for every dollar ceded, in addition to funding all of the corresponding claims, i.e. 75% of all our claims. This arrangement mirrors our fixed fee, and hence shields our gross margin, from the volatility of claims, while boosting our capital efficiency dramatically.

Under U.S. and E.U. regulatory laws, insurance companies are required to set aside "surplus capital" in accordance with various formulae. These requirements tend to be more onerous for younger companies experiencing rapid growth, such that without reinsurance we would need to reserve as much as 50 cents for every dollar of premium sold, known as a 2:1 ratio. Our proportional reinsurance structure shifts most of that surplus capital requirement to the reinsurer, such that the capital surplus requirement for the Company is expected to be approximately 7:1.

Non-Proportional Reinsurance: Optimize Gross Margins

As described above, our Proportional Reinsurance Contracts provide that we cede 75% of our premiums to our reinsurers, pushing our capital efficiency to near maximized levels. We have opted to manage the remaining 25% of our business with alternative forms of reinsurance, with a view to maximizing profitability, while also protecting the integrity of our fixed fee.

These two remaining goals live in tension with one another: leaving zero "wiggle room" around our fixed fee would guarantee its stability, but would preclude our benefiting from our improving loss ratio. Conversely, any room for improved profitability would also introduce additional volatility into our business.

To balance our desire for both growing and stable gross margins, we set out to structure our remaining reinsurance such that variability in our gross margins will be largely contained, though not eliminated entirely. We believe we have achieved this through a combination of reinsurance structures known as "per risk reinsurance" and "facultative reinsurance" (the "Non-Proportional Reinsurance Contracts"). Together with the Proportional Reinsurance Contracts, these Non-Proportional Reinsurance Contracts intend to ensure that the most we will pay for any one claim is unlikely to ever exceed $125,000.

We believe our reinsurance structure achieves important goals: making us capital-light, buffering our gross margins from the vicissitudes of claims, and leaving room for our gross margins to grow. Indeed, based on our current book of business, our probability models suggest that we have crafted a ±3% collar around our gross margins, with underwriting results expected to impact
our gross margins no more than ±3% in 95 years out of 100. Our probability modeling further suggests that, in any given year, the variance in our gross margins is twice as likely to be favorable than not.

**Duration**

Our goal of maximizing predictability of our results, while growing gross margins over time, led us to vary not only the terms of our reinsurance agreements, but their term, too.

The Proportional Reinsurance Contracts will be issued by a consortium of seven reinsurers, each holding an 'A' or better rating from A.M. Best, and each holding a share of the agreement's commitments. Roughly three quarters of the Proportional Reinsurance Contracts run for a three-year term, expiring June 30, 2023, while the remainder has a one-year term, expiring June 30, 2021. Our Non-Proportional Reinsurance Contracts, in which eight reinsurers partake, each holding an ‘A’ or better rating from A.M. Best, are likewise effective as of July 1, 2020, and have a one-year term.

All told, about 55% of our book will be reinsured on a three-year term, with the remainder coming up for renewal and renegotiation on an annual basis. We believe that staggering the terms this way provides the appropriate balance between maximizing predictability, and enabling us to capture more margin over time.

**Operating Leverage**

Combining topline growth with relatively constant gross margins and operations that scale efficiently, creates a leveraged operating model for our business. Our operating costs are primarily composed of three components: sales and marketing, research and development, and general and administrative. We expect all three components to continue to grow in absolute terms as we seek greater market share, launch new products, and expand into new geographies. However, we expect all three components to decline as a percent of our total revenues.

**Sales and Marketing**

We have seen significant improvement in our marketing efficiency, which we evaluate by comparing the growth of our in force premium to marketing expenditures for a given period, and believe there is opportunity for continued improvement. For example, since March 31, 2019, our marketing efficiency roughly doubled, such that we are currently able to acquire more than $2 of in force premium for each $1 of marketing investment. Given our predictable gross margins, strong retention rates and the propensity of our customers to spend materially more with us over time, we believe that the lifetime value of our customers is significantly higher than our cost of acquiring them. Applying a roughly 20% gross margin, we would earn back the cost of acquiring our customers in just over two years. Any annual coverage increases, graduation of renters to homeowners or new product introductions, pet insurance for example, further shorten the payback period and drive up lifetime value.

**Research and Development**

We intend to continue investing in technology as we grow, as we believe our state-of-the-art platform is a key competitive advantage that enables us to service new customers, launch new products and expand into new geographies with little incremental investment.

**General and Administrative**

We believe our extensive use of technology and bots to automate many common functions in customer onboarding and insurance underwriting is unique in the insurance industry and will allow
us to deliver a superior experience to our customers at a lower cost and with far fewer employees than traditional insurers. Our bots are fast, scalable, and are learning to tackle an increasing array of tasks, allowing us to operate with low marginal costs as we grow.

The ratio of our expenses to our revenues has improved significantly in the last three years. From 2018 to 2019, we saw approximately 60 percentage points of improvement in adjusted EBITDA margin, and an additional approximately 70 percentage points of improvement from 2019 to March 31, 2020.

Our fast-improving adjusted EBITDA margin charts a path to profitability, driven by frequent improvements, as well as by the fruits from prior-years’ investments. We expect to continue investing in markets, in products, in technology and in customer acquisition, as we believe these investments will pay dividends for years to come.

Our Challenges

We will encounter challenges while pursuing our growth opportunities and implementing our business model, and our continued success will depend on our ability to overcome such challenges. Our business model is premised on the expectation that a significant number of our customers who are renters will continue to retain coverage with us as they transition from being renters to homeowners, but we cannot provide assurances that we will succeed in retaining existing customers as they become homeowners. Additionally, our Giveback may not function as intended and may not align our interests with those of our customers to the extent anticipated and our commitment to charitable giving through our Giveback may not resonate with our existing customers or may fail to attract new customers. Further, the inadequacy of current reinsurance to protect against catastrophic losses and the unavailability of acceptable reinsurance protection in the future would have an adverse impact on our business model, which depends on reinsurance companies to absorb any unfavorable variance from the level of losses anticipated at underwriting. Future legislation may affect our ability to use artificial intelligence in our business and operations,
and artificial intelligence is integral to our business model. See "Risk Factors" beginning on page 20 of this prospectus for a discussion of factors you should carefully consider before investing in our common stock.

Risks Associated with Our Business

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

- We have a history of losses and we may not achieve or maintain profitability in the future.
- Our success and ability to grow our business depends on retaining and expanding our customer base. If we fail to add new customers or retain current customers, our business, revenue, operating results, and financial condition could be harmed.
- The "Lemonade" brand may not become as widely known as incumbents' brands or the brand may become tarnished.
- Denial of claims or our failure to accurately and timely pay claims could materially and adversely affect our business, financial condition, results of operations, and prospects.
- Our future revenue growth and prospects depend on attaining greater value from each user.
- The novelty of our business model makes its efficacy unpredictable and susceptible to unintended consequences.
- We could be forced to modify or eliminate our Giveback, which could undermine our business model and have a material adverse effect on our results of operations and financial condition.
- We are currently undergoing, but have not yet completed, a full scope examination by our primary state insurance regulator, which could result in adverse examination findings and necessitate remedial actions. In addition, insurance regulators of other states in which we are licensed to operate may conduct periodic examinations. The results of these examinations may also give rise to regulatory orders requiring remedial, injunctive, or other corrective action.
- Our limited operating history makes it difficult to evaluate our current business performance, implementation of our business model, and our future prospects.
- We may not be able to manage our growth effectively.
- Intense competition in the segments of the insurance industry in which we operate could negatively affect our ability to attain or increase profitability.
- Reinsurance may be unavailable at current levels and prices, which may limit our ability to write new business. Our reinsurance contracts vary in both duration and term, and there is no assurance the contracts will be renewed or, if renewed, whether they will be renewed on comparable duration and terms to those currently in effect. Furthermore, reinsurance subjects us to counterparty risk and may not be adequate to protect us against losses, which could have a material effect on our results of operations and financial condition.
• Security incidents or real or perceived errors, failures or bugs in our systems, website or app could impair our operations, result in loss of personal customer information, damage our reputation and brand, and harm our business and operating results.

• We collect, process, store, share, disclose and use customer information and other data, and our actual or perceived failure to protect such information and data, respect customers' privacy, or comply with data privacy and security laws and regulations could damage our reputation and brand and harm our business and operating results.

• We are subject to extensive insurance industry regulation, and any failure to comply in full or in part with regulatory requirements could result in fines, revocation of our license to operate in one or more jurisdictions or other penalties, any one of which could have a material adverse effect on our financial condition and result of operations. Existing regulations, or their interpretation or application, could change or new regulations could be adopted, any of which could require us to incur additional costs or devote additional resources to compliance. Our decision to enter, as underwriter or agent, into other vertical markets, such as pet, auto and life insurance, would subject us to additional regulatory requirements specific to such insurance products, which, in turn, could require us to devote additional resources to compliance and subject us to increased regulatory scrutiny.

Implications of Being an Emerging Growth Company

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

• we are required to have only two years of audited financial statements and only two years of related selected financial data and Management's Discussion and Analysis of Financial Condition and Results of Operations disclosure;

• we are exempt from the requirement that critical audit matters be discussed in our independent auditor's reports on our audited financial statements or any other requirements that may be adopted by the Public Company Accounting Oversight Board (the "PCAOB") unless the SEC determines that the application of such requirements to emerging growth companies is in the public interest;

• we are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") requiring that our independent registered public accounting firm provide an attestation report on the effectiveness of its internal control over financial reporting;

• we are exempt from the "say on pay," "say on frequency," and "say on golden parachute" advisory vote requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"); and

• we are exempt from certain disclosure requirements of the Dodd-Frank Act relating to compensation of our executive officers and are permitted to omit the detailed compensation discussion and analysis from proxy statements and reports filed under the Exchange Act.

We may take advantage of these provisions until the last day of our fiscal year following the fifth anniversary of the completion of this offering or such earlier time that we are no longer an
emerging growth company. We would cease to be an emerging growth company upon the earliest of: (i) the last day of the first fiscal year in which our annual gross revenues are $1.07 billion or more; (ii) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt securities; or (iii) the date on which we are deemed to be a "large accelerated filer," which will occur as of the end of any fiscal year in which we (x) have an aggregate market value of our common stock held by non-affiliates of $700 million or more as of the last business day of our most recently completed second fiscal quarter, (y) have been required to file annual and quarterly reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for a period of at least 12 months and (z) have filed at least one annual report pursuant to the Exchange Act.

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

For risks related to our status as an emerging growth company, see "Risk Factors — Risks Relating to Ownership of Our Common Stock — Taking advantage of the reduced disclosure requirements applicable to "emerging growth companies" may make our common stock less attractive to investors."

Public Benefit Corporation

As a demonstration of our long-term commitment to make insurance a public good, we are incorporated in Delaware as a public benefit corporation. Public benefit corporations are a relatively new class of corporations that are intended to produce a public benefit and to operate in a responsible and sustainable manner. Under Delaware law, public benefit corporations are required to identify in their certificate of incorporation the public benefit or benefits they will promote and their directors have a duty to manage the affairs of the corporation in a manner that balances the pecuniary interests of the stockholders, the best interests of those materially affected by the corporation's conduct and the specific public benefit or public benefits identified in the public benefit corporation's certificate of incorporation. See "Description of Capital Stock — Public Benefit Corporation Status."

Our public benefit, as provided in our certificate of incorporation, is to harness novel business models, technologies and private-nonprofit partnerships to deliver insurance products where charitable giving is a core feature, for the benefit of communities and their common causes.

Certified B Corp

While not required by Delaware law or the terms of our certificate of incorporation, we have been designated as a Certified B Corp™. The term "Certified B Corp" does not refer to a particular form of legal entity, but instead refers to companies that are certified by B Lab, an independent nonprofit organization, for meeting rigorous standards of social and environmental performance, accountability, and transparency. See "Business — Certified B Corp Status."
Channels for Disclosure of Information

Following the completion of this offering, we intend to announce material information to the public through filings with the SEC, the investor relations page on our website (www.lemonade.com), press releases, public conference calls and public webcasts.

Any updates to the list of disclosure channels through which we will announce information will be posted on the investor relations page on our website.

Corporate Information

Lemonade, Inc. (formerly Lemonade Group, Inc.), the registrant and the issuer of the common stock being sold in this offering, was incorporated as a Delaware corporation on June 17, 2015. Our corporate headquarters is located at 5 Crosby Street, 3rd Floor, New York, New York 10013. Our telephone number is (844) 733-8666.

Lemonade, Inc. is a public benefit corporation organized under Delaware law. It provides certain personnel, facilities and services to each of its subsidiaries (together with Lemonade, Inc., the "group"), all of which are 100% owned, directly or indirectly, by Lemonade, Inc. The group consists of the following entities, which support Lemonade, Inc.’s U.S. and E.U. operations: (1) Lemonade Insurance Company, an insurance corporation organized under New York law; (2) Lemonade Insurance Agency, LLC, a limited liability company organized under New York law; (3) Lemonade Ltd., a company organized under the laws of Israel; (4) Lemonade Insurance N.V., a public limited company organized under the laws of the Netherlands; (5) Lemonade Agency B.V., a Netherlands private limited liability company; (6) Lemonade B.V., a Netherlands private limited liability company; and (7) Lemonade Life Insurance Agency, LLC, a limited liability company organized under Delaware law.

Our principal website address is www.lemonade.com. The information contained on, or that can be accessed through, our website is deemed not to be incorporated in this prospectus or to be part of this prospectus. You should not consider information contained on our website to be part of this prospectus in deciding whether to purchase shares of our common stock.

This prospectus includes trademarks and service marks owned by us. This prospectus also contains trademarks, trade names and service marks of other companies, which are the property of their respective owners. Solely for convenience, trademarks, trade names and service marks referred to in this prospectus may appear without the ®, TM or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks, trade names and service marks. We do not intend our use or display of other parties' trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.
## The Offering

<table>
<thead>
<tr>
<th>Common stock offered by us</th>
<th>shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriters' option to purchase additional shares of common stock</td>
<td>The underwriters have an option to purchase up to additional shares of common stock from us at the initial public offering price, less underwriting discounts and commissions. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.</td>
</tr>
<tr>
<td>Common stock to be outstanding after this offering</td>
<td>shares (or shares if the underwriters exercise their option to purchase additional shares in full).</td>
</tr>
<tr>
<td>Use of proceeds</td>
<td>We estimate that the net proceeds from the sale of shares of our common stock in this offering will be approximately $ million (or approximately $ million if the underwriters exercise their option to purchase additional shares of our common stock in full), based upon the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.</td>
</tr>
</tbody>
</table>

The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock and enable access to the public equity markets for us and our stockholders. We intend to use the net proceeds from this offering for general corporate purposes, including working capital, operating expenses and capital expenditures. Additionally, we may use a portion of the net proceeds to acquire or invest in businesses, products, services, or technologies. However, we do not have agreements or commitments for any material acquisitions or investments at this time.

Pending the use of proceeds from this offering as described above, we plan to invest the net proceeds that we receive in this offering in short-term and intermediate-term interest-bearing obligations, investment-grade investments, certificates of deposit, or direct or guaranteed obligations of the U.S. government. Our management will have broad discretion in the application of the net proceeds from this offering and investors will be relying on the judgment of our management regarding the application of the proceeds.

See "Use of Proceeds."
The number of shares of our common stock that will be outstanding immediately after this offering is based on 43,896,246 shares of our common stock outstanding as of March 31, 2020, and reflects (i) 31,557,107 shares of preferred stock that will automatically convert into shares of common stock in connection with the completion of this offering pursuant to the terms of our amended and restated certificate of incorporation (the "Preferred Stock Conversion"), and (ii) the settlement of promissory notes for $1.3 million in cash related to the stock purchase agreements entered into with two executives for the purchase of common stock that were contractually required to be settled in connection with the filing of a registration statement under the Securities Act, resulting in 513,537 shares being deemed issued and outstanding (but subject to vesting in accordance with the terms of the stock purchase agreements) (the "Settlement of Executive Promissory Notes").

The number of shares of our common stock to be outstanding after this offering excludes:

- 4,349,270 shares of common stock issuable upon the exercise of options outstanding under our 2015 Incentive Share Option Plan (the "2015 Plan") as of March 31, 2020, at a weighted average exercise price of $14.40 per share; and
- shares of common stock reserved for future issuance under our 2020 Incentive Award Plan (the "2020 Plan").

On the date immediately prior to the date of this prospectus, any remaining shares available for issuance under the 2015 Plan will be added to the shares of our common stock reserved for issuance under the 2020 Plan, and we will cease granting awards under the 2015 Plan. The 2020 Plan also provides for automatic annual increases in the number of shares reserved thereunder. See "Executive Compensation — Equity Compensation" for additional information.

 Unless otherwise indicated, all information contained in this prospectus assumes:

- the Preferred Stock Conversion;
- the Settlement of Executive Promissory Notes
- the filing and effectiveness of our amended and restated certificate of incorporation (the "Amended Charter") in Delaware and the effectiveness of our amended and restated bylaws (our "Amended Bylaws"), which will effect the reclassification of all outstanding shares into our common stock;
- no exercise of outstanding stock options under the 2015 Plan subsequent to March 31, 2020;
- an initial public offering price of $ per share of common stock, which is the midpoint of the price range set forth on the cover page of this prospectus; and
- no exercise of the underwriters’ option to purchase additional shares of our common stock.
Summary Consolidated Financial Data

The following tables summarize our consolidated financial and other data. We have derived the summary consolidated statements of operations data for the years ended December 31, 2018 and 2019 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary consolidated statements of operations data for the three months ended March 31, 2019 and 2020, and the consolidated balance sheet data as of March 31, 2020, from our unaudited consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future, and our results for the three months ended March 31, 2020 are not necessarily indicative of the results that may be expected for the full fiscal year or any other period.

The following summary consolidated financial and other data should be read in conjunction with the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this prospectus.

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Three Months Ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>($ in millions, except per share data)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earned premium</td>
<td>$21.2</td>
<td>$63.8</td>
</tr>
<tr>
<td>Net investment income</td>
<td>1.3</td>
<td>3.4</td>
</tr>
<tr>
<td>Commission income</td>
<td>—</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>22.5</td>
<td>67.3</td>
</tr>
<tr>
<td><strong>Expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss and loss adjustment expense, net</td>
<td>15.2</td>
<td>45.8</td>
</tr>
<tr>
<td>Other insurance expense</td>
<td>4.2</td>
<td>9.6</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>41.9</td>
<td>89.1</td>
</tr>
<tr>
<td>Technology development</td>
<td>4.7</td>
<td>9.8</td>
</tr>
<tr>
<td>General and administrative</td>
<td>9.1</td>
<td>20.9</td>
</tr>
<tr>
<td><strong>Total expense</strong></td>
<td>75.1</td>
<td>175.2</td>
</tr>
<tr>
<td><strong>Loss before income taxes</strong></td>
<td>(52.6)</td>
<td>(107.9)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>0.3</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$ (52.9)</td>
<td>$ (108.5)</td>
</tr>
<tr>
<td><strong>Per Share Data</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss per share attributable to common stockholders — basic and diluted</td>
<td>$ (4.84)</td>
<td>$ (9.75)</td>
</tr>
<tr>
<td><strong>Weighted average common shares outstanding — basic and diluted</strong></td>
<td>10,931,776</td>
<td>11,124,397</td>
</tr>
<tr>
<td>Pro forma net loss per share attributable to common stockholders — basic and diluted (unaudited)</td>
<td>$ (2.77)</td>
<td>$ (0.84)</td>
</tr>
<tr>
<td><strong>Pro forma weighted average common shares outstanding — basic and diluted (unaudited)</strong></td>
<td>39,206,116</td>
<td>43,612,686</td>
</tr>
</tbody>
</table>
As of March 31, 2020

<table>
<thead>
<tr>
<th>Consolidated Balance Sheet Data</th>
<th>Actual</th>
<th>Pro Forma(1)</th>
<th>Pro Forma As Adjusted(2)(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investments</td>
<td>$36.8</td>
<td>$36.8</td>
<td>$36.8</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash</td>
<td>274.2</td>
<td>275.5</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>399.9</td>
<td>401.2</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>124.3</td>
<td>124.3</td>
<td></td>
</tr>
<tr>
<td>Convertible preferred stock</td>
<td>480.2</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Total stockholders’ equity (deficit)</td>
<td>(204.6)</td>
<td>276.9</td>
<td></td>
</tr>
</tbody>
</table>

(1) The pro forma consolidated balance sheet data as of March 31, 2020 presents our consolidated balance sheet data to give effect to (i) the Preferred Stock Conversion, as if the Preferred Stock Conversion had occurred on March 31, 2020, (ii) the filing and effectiveness of our Amended Charter in Delaware, and (iii) the Settlement of Executive Promissory Notes, as if the Settlement of Executive Promissory Notes had occurred on March 31, 2020.

(2) The pro forma as adjusted consolidated balance sheet data reflects the items described in footnote (1) above and gives effect to our receipt of estimated net proceeds from the sale of shares of common stock that we are offering by this prospectus at an assumed initial public offering price of $             per share, which is the midpoint of the price range on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. A $1.00 increase (decrease) in the assumed initial public offering price of $             per share would increase (decrease) each of cash and cash equivalents, total assets and total stockholders’ equity by $             , assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(3) The pro forma as adjusted data discussed above is illustrative only and will be adjusted based on the actual initial public offering price and other terms of our initial public offering determined at pricing.

Key Operating and Financial Metrics(1)

<table>
<thead>
<tr>
<th>Year Ended December 31, 2018</th>
<th>2019</th>
<th>Three Months Ended March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers (end of period)</td>
<td>308,835</td>
<td>643,118</td>
</tr>
<tr>
<td>In force premium (end of period)</td>
<td>$44.9</td>
<td>$113.8</td>
</tr>
<tr>
<td>Premium per Customer (end of period)</td>
<td>$145</td>
<td>$177</td>
</tr>
<tr>
<td>Operating revenue(2)</td>
<td>$25.3</td>
<td>$75.6</td>
</tr>
<tr>
<td>Adjusted gross profit(2)</td>
<td>$4.2</td>
<td>$13.1</td>
</tr>
<tr>
<td>Adjusted EBITDA(2)</td>
<td>$(51.7)</td>
<td>$(106.4)</td>
</tr>
<tr>
<td>Adjusted gross margin(2)</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Adjusted EBITDA margin(2)</td>
<td>(204)%</td>
<td>(141)%</td>
</tr>
<tr>
<td>Gross loss ratio</td>
<td>113%</td>
<td>79%</td>
</tr>
<tr>
<td>Net loss ratio</td>
<td>72%</td>
<td>72%</td>
</tr>
</tbody>
</table>

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Operating and Financial Metrics" for information on how we define and calculate these key operating metrics.

(2) Operating revenue, adjusted gross profit, adjusted EBITDA, adjusted gross margin and adjusted EBITDA margin are non-GAAP financial measures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for additional information on non-GAAP financial measures and a reconciliation to the most comparable GAAP measures.
RISK FACTORS

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

Risks Relating to Our Business

We have a history of losses and we may not achieve or maintain profitability in the future.

We have not been profitable since our inception in 2015 and had an accumulated deficit of $198.3 million and $234.8 million as of December 31, 2019 and March 31, 2020, respectively. We incurred net losses of $52.9 million and $108.5 million in the years ended December 31, 2018 and December 31 2019, respectively, and a net loss of $36.5 million for the three months ended March 31, 2020. We expect to make significant investments to further develop and expand our business. In particular, we expect to continue to expend substantial financial and other resources on marketing and advertising as part of our strategy to increase our user base. The marketing and advertising expenses that we incur are typically expensed immediately while any revenues that they generate are recognized ratably over the 12-month term of each insurance policy that we write. This timing difference can therefore result in expenses that exceed the related revenue generated in any given year. In addition, we expect to continue to increase our headcount significantly in the coming years. As a public company, we will also incur significant legal, accounting and other expenses that we did not incur as a private company. We expect that our net loss will increase in the near term as we continue to make such investments to grow our business. Despite these investments, we may not succeed in increasing our revenue on the timeline that we expect or in an amount sufficient to lower our net loss and ultimately become profitable. Moreover, if our revenue declines, we may not be able to reduce costs in a timely manner because many of our costs are fixed at least in the short term. In addition, if we reduce variable costs to respond to losses, this may limit our ability to sign up new customers and grow our revenues. Accordingly, we may not achieve or maintain profitability and we may continue to incur significant losses in the future.

Our success and ability to grow our business depend on retaining and expanding our customer base. If we fail to add new customers or retain current customers, our business, revenue, operating results and financial condition could be harmed.

We have experienced significant customer growth since we commenced operations; however, we may not be able to maintain this growth and our customer base could shrink over time.

Our ability to attract new customers and retain existing customers depends, in large part, on our ability to continue to be perceived as providing delightful and superior insurance-buying and claims-filing customer experiences, competitive pricing, and adequate insurance coverage. In order to maintain this perception, we may be required to incur significantly higher marketing expenses, costs related to improving our service, and lower margins in order to attract new customers and retain existing customers. If we fail to remain competitive on customer experience, pricing, and insurance coverage options, our ability to grow our business and generate revenue by attracting and retaining customers may be adversely affected.
There are many factors that could negatively affect our ability to grow our customer base, including if:

- we fail to effectively use search engines, social media platforms, digital app stores, content-based online advertising, and other online sources for generating traffic to our website and our online app;

- potential customers in a particular marketplace or generally do not meet our underwriting guidelines;

- our competitors mimic our digital platform, causing current and potential customers to purchase their insurance products instead of our products;

- our digital platform experiences disruptions;

- we experience unfavorable shifts in customer perception of our chat-bots;

- we suffer reputational harm to our brand resulting from negative publicity, whether accurate or inaccurate;

- we fail to expand geographically;

- we fail to offer new and competitive products;

- customers have difficulty installing, updating or otherwise accessing our app or website on mobile devices or web browsers as a result of actions by us or third parties;

- technical or other problems frustrate the customer experience, particularly if those problems prevent us from generating quotes or paying claims in a fast and reliable manner; or

- we are unable to address customer concerns regarding the content, privacy, and security of our digital platform.

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

The "Lemonade" brand may not become as widely known as incumbents' brands or the brand may become tarnished.

Many of our competitors have brands that are well recognized. As a relatively new entrant into the insurance market, we spend considerable money and other resources to create brand awareness and build our reputation. We may not be able to build brand awareness, and our efforts at building, maintaining and enhancing our reputation could fail. Complaints or negative publicity about our business practices, our marketing and advertising campaigns, our compliance with applicable laws and regulations, the integrity of the data that we provide to consumers or business partners, data privacy and security issues, and other aspects of our business, whether valid or not, could diminish confidence in our brand, which could adversely affect our reputation and business. As we expand our product offerings and enter new markets, we need to establish our reputation with new customers, and to the extent we are not successful in creating positive impressions, our business in these newer markets could be adversely affected. There can be no assurance that we will be able to maintain or enhance our reputation, and failure to do so could materially adversely affect our business, results of operations and financial condition. If we are unable to maintain or enhance consumer awareness of our brand cost-effectively, our business, results of operations and financial condition could be materially adversely affected.
Denial of claims or our failure to accurately and timely pay claims could materially and adversely affect our business, financial condition, results of operations, and prospects.

We must accurately and timely evaluate and pay claims that are made under our policies. Many factors affect our ability to pay claims accurately and timely, including the efficacy of our artificial intelligence claims processing, the training and experience of our claims adjusters, including our third-party claims administrators, and our ability to develop or select and implement appropriate procedures and systems to support our claims functions.

The speed by which our artificial intelligence technology allows us to process and pay claims is a differentiating factor for our business and an increase in the average time to process claims could undermine our reputation and position in the insurance marketplace. Any failure to pay claims accurately or timely could also lead to regulatory and administrative actions or material litigation, or result in damage to our reputation, any one of which could materially and adversely affect our business, financial condition, results of operations, and prospects.

If our claims adjusters or third party claims administrators are unable to effectively process our volume of non-automated claims, our ability to grow our business while maintaining high levels of customer satisfaction could be compromised, which in turn, could adversely affect our operating margins.

Our future revenue growth and prospects depend on attaining greater value from each user.

Our future growth and prospects depend on our ability to increase the Premium per Customer ("PPC") of our users, as described in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations." Currently, the large majority of our users are renters. In order to increase our PPC, we must increase the number of higher-priced customers, such as homeowners, and the proportion of higher-priced customers relative to lower-priced customers, such as renters. Our business model is premised on the expectation that a significant number of our users that are renters will continue to retain coverage with us as they move from being renters to homeowners. Currently, however, given our limited operating history, substantially all of our current homeowner users are new users who were not previously renters with us. The purchase of a home is a significant event in a person's life and we cannot provide assurances that we will succeed in retaining existing customers that are renters as they become homeowners. This may occur for a variety of factors. For example, at the time a renter purchases a home, he or she is exposed to a large number of service providers who have direct and personal access to that renter in a way that we do not. Those service providers may have, and share, their own views and preferences for homeowners insurance. Furthermore, given the expenditure involved in a home purchasing decision, differences in price between our insurance product and that of our competitors may appear less significant. In addition, there may even be a perception that a higher priced policy from a traditional brand name insurer may be of higher quality when coupled with the size and longevity of such traditional insurers. A failure to retain renters as they transition to homeowner status may materially adversely impact our future growth and prospects. Moreover, we also sell homeowner policies directly, or indirectly through independent insurance agencies, to customers who did not previously have a renters policy with us. To the extent we are unable to sell homeowner policies directly or via our insurance agency partners to new customers either now or in the future, our ability to increase our PPC would be negatively impacted, which could materially adversely impact our future growth and prospects.

The novelty of our business model makes its efficacy unpredictable and susceptible to unintended consequences.

Our business model is predicated on behavioral economics. Under our model, we typically retain a fixed fee, currently 25% of premiums. We use the remaining funds to pay claims (including
reinsurance) and, if there are any funds leftover, donate to nonprofits as part of our Giveback. While we designed our business model to attract users, align our incentives with those users, discourage fraudulent claims and allow us to offer competitive pricing, our business model may not operate as intended over time and on a larger scale. For example:

- Our commitment to charitable giving through our Giveback program may not align our interests with those of our customers to the extent anticipated. Moreover, our commitment to charitable giving may not resonate with our existing customers or may fail to attract new customers.

- The amount contributed to nonprofits may be viewed as insufficient by existing or new customers. Furthermore, there may be insufficient money remaining after paying claims to make charitable contributions.

- Beginning on July 1, 2020, we will have proportional reinsurance protecting 75% of our business, pursuant to our Proportional Reinsurance Contracts. We have opted to manage the remaining 25% of our business with alternative forms of reinsurance, which are achieved through the Non-Proportional Reinsurance Contracts. See "Business — Our Vertically-Integrated Platform — Reinsurance." False claims or higher than expected claims could cause reinsurers to charge higher rates, refuse to provide reinsurance or provide reinsurance on less favorable terms. While we have implemented control procedures to detect false claims, such procedures may not prevent such claims from being filed or prevent a sufficient number of them from being paid out.

The failure of our business model to function as intended could materially and adversely impact our financial condition and results of operations.

**We could be forced to modify or eliminate our Giveback, which could undermine our business model and have a material adverse effect on our results of operations and financial condition.**

Our Giveback is a cornerstone of our business model that, when coupled with our fixed fee, works to align our interests with those of our customers, which we believe builds trust, minimizes fraud, and keeps our costs down. If a state, federal authority or foreign jurisdiction was to find that the Giveback was a rebate rather than a charitable contribution, or impermissible on other grounds, we may not be able to donate the residual value of our customers' premiums to nonprofits in certain, or any, of the states or foreign jurisdictions in which we operate. If even one regulator were to disallow the Giveback, it could force us to abandon the Giveback in part or entirely, either of which could undermine the behavioral economics foundation on which our business model is based, which in turn could materially and adversely affect our brand, financial condition and results of operations.

Additionally, we could modify, reduce or eliminate the Giveback at our discretion for a variety of reasons. Lemonade Insurance Company's board of directors may determine the amount and distribution of the Giveback by taking into consideration various factors such as the current goodwill and reputation of the nonprofit selected by customers, the amount of funds available for distribution by each cohort, the reasonableness of such contribution, and general shareholders' interests, such as the proposed amount and distribution of the Giveback against factors like overall shareholder returns, our financial and operating performance, and our social responsibility and the benefits shareholders and their communities receive from proposed contributions. Before determining the amount of the Giveback, Lemonade Insurance Company's board of directors may also analyze the extent of our reinsurance coverage and management's expectations with respect to such reinsurance coverage for the upcoming fiscal year, particularly as it relates to the amount of capital and surplus required to continue to operate successfully. If after weighing any of these factors, Lemonade Insurance Company's board of directors were to reduce or eliminate the Giveback, our
business model would be impacted, which, in turn, could materially and adversely affect our brand, financial condition and results of operations.

**Our limited operating history makes it difficult to evaluate our current business performance, implementation of our business model, and our future prospects.**

We launched our business to sell renters and homeowners insurance in late 2016 and have a limited operating history. Due to our limited operating history and the rapid growth we have experienced since we began operations, our operating results are hard to predict, and our historical results may not be indicative of, or comparable to, our future results. In addition, we have limited data to validate key aspects of our business model. For example, our user base is made up primarily of renters and we have very few instances of those renters becoming homeowners, a key element of our business model. It is also difficult for us to track that data. We cannot provide any assurance that the data that we collect will provide useful measures for evaluating our business model. Our inability to adequately assess our performance and growth could have a material adverse effect on our brand, business, financial condition and results of operations.

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

Our revenue grew from $22.5 million for the year ended December 31, 2018, to $67.3 million for the year ended December 31, 2019, to $26.2 million for the three months ended March 31, 2020. Our total employees grew from 117 as of December 31, 2018, to 279 as of December 31, 2019, and to 329 as of March 31, 2020. In addition, from December 31, 2017 to March 31, 2020, we expanded from offering insurance in eight states to offering it in 27 states, including Washington, D.C. Our rapid growth has placed and may continue to place significant demands on our management and our operational and financial resources. We have hired and expect to continue hiring additional personnel to support our rapid growth. Our organizational structure is becoming more complex as we add staff, and we will need to enhance our operational, financial and management controls as well as our reporting systems and procedures. We will require significant capital expenditures and the allocation of valuable management resources to grow and change in these areas without undermining our corporate culture of rapid innovation, teamwork and attention to the insurance-buying experience for the customer. If we cannot manage our growth effectively to maintain the quality and efficiency of our customers’ insurance-buying experience, as well as their experience as ongoing customers, our business could be harmed as a result, and our results of operations and financial condition could be materially and adversely affected.

**Intense competition in the segments of the insurance industry in which we operate could negatively affect our ability to attain or increase profitability.**

The renters and homeowners insurance market is highly competitive with carriers competing through product coverage, reputation, financial strength, advertising, price, customer service and distribution.

While we face limited direct competition from traditional insurance companies for first-time renters, we face significant competition from traditional insurance companies for homeowners. Competitors include companies such as Allstate, Farmers, Liberty Mutual, State Farm, and Travelers. These companies are larger than us and have significant competitive advantages over us, including increased name recognition, higher financial ratings, greater resources, additional access to capital, and more types of insurance coverage to offer, such as auto, health and life, than we currently do. Our future growth will depend in large part on our ability to grow our homeowners insurance business in which traditional insurance companies retain certain advantages. In particular, unlike us, many of these competitors offer consumers the ability to purchase renters, homeowners and multiple other types of insurance coverage and “bundle” them together into one policy and, in certain circumstances, include an umbrella liability policy for additional coverage at competitive
prices. Moreover, as we expand into new lines of business and offer additional products beyond renters and homeowners insurance, such as pet insurance, we could face intense competition from traditional insurance companies that are already established in such markets. These new insurance products could take months to be approved by regulatory authorities, or may not be approved at all.

We currently face competition by technology companies in the markets in which we operate. There are various technology companies that have recently started operating in adjacent insurance categories that may in the future offer renters and homeowners insurance products. Technology companies may in the future begin operating and offering products at better and more competitive pricing than us, which could cause our results of operations and financial condition to be materially and adversely affected. In addition, traditional insurance companies may seek to adapt their businesses to sell insurance and process claims using technology similar to ours. Given their size, resources, and other competitive advantages, they may be able to erode any market advantage we may currently have over them.

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

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

Beginning on July 1, 2020, we will have proportional reinsurance protecting 75% of our business. Under the Proportional Reinsurance Contracts, which span all of our products and geographies, we transfer, or "cede," 75% of our premiums to our reinsurers. In exchange, these reinsurers pay us a "ceding commission" of 25% for every dollar ceded, in addition to funding all of the corresponding claims, or 75% of all our claims. We have opted to manage the remaining 25% of our business with alternative forms of reinsurance. We have achieved this through the Non-Proportional Reinsurance Contracts. Roughly three quarters of the Proportional Reinsurance Contracts run for a three-year term, expiring June 30, 2023, while the remainder has a one-year term, expiring June 30, 2021. Our Non-Proportional Reinsurance Contracts are likewise effective as of July 1, 2020, and have a one-year term. If we are unable to renegotiate, at the same or more favorable terms, the Proportional Reinsurance Contracts or the Non-Proportional Reinsurance Contracts when each expires, such changes could have an adverse impact on our business model. See "Business — Our Vertically-Integrated Platform — Reinsurance."

We may change the structure of our reinsurance arrangement in the future, which may impact our overall risk profile and financial and capital condition. We may be unable to negotiate a new
reinsurance contract to provide continuous coverage or negotiate reinsurance on the same terms and rates as are currently available, as such availability depends in part on factors outside of our control. A new contract may not provide sufficient reinsurance protection. Market forces and external factors, such as significant losses from hurricanes or terrorist attacks or an increase in capital requirements, impact the availability and cost of the reinsurance we purchase. If we were unable to maintain our current level of reinsurance, extend our reinsurance contracts or purchase new reinsurance protection in amounts that we consider sufficient at acceptable prices, we would have to either accept an increase in our exposure, reduce our insurance writings or develop or seek other alternatives.

The unavailability of acceptable reinsurance protection would have an adverse impact on our business model, which depends on reinsurance companies to absorb any unfavorable variance from the level of losses anticipated at underwriting. If we are unable to obtain adequate reinsurance at reasonable rates, we would have to increase our risk exposure or reduce the level of our underwriting commitments, each of which could have a material adverse effect upon our business volume and profitability. Alternatively, we could elect to pay higher than reasonable rates for reinsurance coverage, which could have a material adverse effect upon our profitability until policy premium rates could be raised, in most cases subject to approval by state regulators, to offset this additional cost. Moreover, if adequate reinsurance cannot be obtained or maintained at reasonable rates, we may be unable to make contributions to the nonprofit organizations selected by our customers as part of our Giveback, which could erode customer trust, damage our brand, and have a material adverse effect on our financial condition and results of operations.

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

We must have sufficient capital to comply with insurance regulatory requirements and maintain authority to conduct our business. The National Association of Insurance Commissioners ("NAIC") has developed a system to test the adequacy of statutory capital of U.S.-based insurers, known as risk-based capital that all states have adopted. This system establishes the minimum amount of capital necessary for an insurance company to support its overall business operations. It identifies insurers, including property-casualty insurers, that may be inadequately capitalized by looking at certain inherent risks of each insurer's assets and liabilities and its mix of net written premiums. Insurers falling below a calculated threshold may be subject to varying degrees of regulatory action, including supervision, rehabilitation or liquidation. Moreover, as a new entrant to the insurance industry, we may face additional capital requirements as compared to those of our larger and more established competitors. Failure to maintain adequate risk-based capital at the required levels could adversely affect the ability of our insurance subsidiary to maintain regulatory authority to conduct its business. See "Regulation — Risk-Based Capital."

If we are unable to expand our product offerings, our prospects for future growth may be adversely affected.

Our ability to attract and retain customers and therefore increase our revenue depends on our ability to successfully expand our product offerings. While we have historically concentrated our efforts exclusively on the renters and homeowners insurance market, in February 2020, we announced our intention to launch pet insurance, and we may in the future choose to enter, as underwriter or as agent, into additional vertical markets, such as auto and life insurance, in order to achieve our long-term growth goals. Our success in the renters and homeowners insurance market depends on our deep understanding of this industry. To penetrate new vertical markets, we will need to develop a similar understanding of those new markets and the associated business challenges faced by participants in them. Developing this level of understanding may require substantial investments of time and resources, and we may not be successful. In addition to the
need for substantial resources, insurance regulation could limit our ability to introduce new product offerings. These new insurance products could take
months to be approved by regulatory authorities, or may not be approved at all. If we fail to penetrate new vertical markets successfully, our revenue may
grow at a slower rate than we anticipate and our business, results of operations and financial condition could be materially and adversely affected. In
addition, our decision to expand our insurance product offerings beyond the renters and homeowners insurance market would subject us to additional
regulatory requirements specific to such insurance products, which, in turn, could require us to incur additional costs or devote additional resources to
compliance.

Our proprietary artificial intelligence algorithms may not operate properly or as we expect them to, which could cause us to write policies we
should not write, price those policies inappropriately or overpay claims that are made by our customers. Moreover, our proprietary artificial
intelligence algorithms may lead to unintentional bias and discrimination.

We utilize the data gathered from the insurance application process to determine whether or not to write a particular policy and, if so, how to price
that particular policy. Similarly, we use proprietary artificial intelligence algorithms to process many of our claims. The data that we gather through our
interactions with our customers is evaluated and curated by proprietary artificial intelligence algorithms. The continuous development, maintenance and
operation of our deep-learned backend data analytics engine is expensive and complex, and may involve unforeseen difficulties including material
performance problems, undetected defects or errors, for example, with new capabilities incorporating artificial intelligence. We may encounter technical
obstacles, and it is possible that we may discover additional problems that prevent our proprietary algorithms from operating properly. If our data analytics
do not function reliably, we may incorrectly price insurance products for our customers or incorrectly pay or deny claims made by our customers. Either of
these situations could result in customer dissatisfaction with us, which could cause customers to cancel their insurance policies with us, prevent
prospective customers from obtaining new insurance policies, or cause us to underprice policies or overpay claims. Additionally, our proprietary artificial
intelligence algorithms may lead to unintentional bias and discrimination in the underwriting process, which could subject us to legal or regulatory liability.
Any of these eventualities could result in a material and adverse effect on our business, results of operations and financial condition.

Regulators may limit our ability to develop or implement our proprietary artificial intelligence algorithms and/or may eliminate or restrict the
confidentiality of our proprietary technology, which could have a material adverse effect on our financial condition and results of operations.

Our future success depends on our ability to continue to develop and implement our proprietary artificial intelligence algorithms, and to maintain the
confidentiality of this technology. Changes to existing regulations, their interpretation or implementation, or new regulations could impede our use of this
technology, or require that we disclose our proprietary technology to our competitors, which could impair our competitive position and result in a material
adverse effect on our business, results of operations, and financial condition.

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

State and federal lawmakers, and insurance regulators are focusing upon the use of AI broadly, including concerns about transparency, deception,
and fairness in particular. Changes in laws or regulations, or changes in the interpretation of laws or regulations by a regulatory authority, specific to the
use of AI, may decrease our revenues and earnings and may require us to change
the manner in which we conduct some aspects of our business. In addition, our business and operations are subject to various U.S. federal, state, and local consumer protection laws, including laws which place restrictions on the use of automated tools and technologies to communicate with wireless telephone subscribers or consumers generally. For example, a California law, effective as of July 2019, makes it unlawful for any person to use a bot to communicate with a person in California online with the intent to mislead the other person about its artificial identity for the purpose of knowingly deceiving the person about the content of the communication in order to incentivize a purchase of goods or services in a commercial transaction. Although we have taken steps to mitigate our liability for violations of this and other laws restricting the use of electronic communication tools, no assurance can be given that we will not be exposed to civil litigation or regulatory enforcement. Further, to the extent that any changes in law or regulation further restrict the ways in which we communicate with prospective or current customers before or during onboarding, customer care, or claims management, these restrictions could result in a material reduction in our customer acquisition and retention, reducing the growth prospects of our business, and adversely affecting our financial condition and future cash flows.

*We rely on artificial intelligence and our digital platform to collect data points that we evaluate in pricing and underwriting our insurance policies, managing claims and customer support, and improving business processes, and any legal or regulatory requirements that restrict our ability to collect this data could thus materially and adversely affect our business, financial condition, results of operations and prospects.*

We use artificial intelligence and our digital platform to collect data points that we evaluate in pricing and underwriting certain of our insurance policies, managing claims and customer support, and improving business processes. If federal, state or international regulators were to determine that the type of data we collect, the process we use for collecting this data or how we use it unfairly discriminates against some groups of people, laws and regulations could be interpreted or implemented to prohibit or restrict our collection or use of this data.

On January 18, 2019, the New York Department of Financial Services ("NYDFS") issued a circular letter to insurers operating in New York expressing concerns about the use of external data sources, algorithms and/or predictive models in insurance underwriting or rating. Specifically, the letter raises concerns about the potential for unfair discrimination and lack of consumer transparency associated with the use of external consumer data. The letter further imposes substantive requirements on insurers authorized to write life insurance in New York using external data sources. Among other things, the letter requires life insurers to independently confirm that the sources of external data do not collect or utilize prohibited criteria. In addition, life insurers must not use external data sources unless they can establish that the use of such data is not unfairly discriminatory. Our decision to enter into new vertical markets and offer life insurance products could also subject us to such substantive requirements in the future. Additionally, other state regulators may also issue regulations or pass legislation imposing similar requirements on insurance activities. If such laws or regulations were enacted federally or in a large number of states in which we operate, it could impact the integrity of our pricing and underwriting processes. A determination by federal or state regulators that the data points we collect and the process we use for collecting this data unfairly discriminates against some groups of people could also subject us to fines and other sanctions, including, but not limited to, disciplinary action, revocation and suspension of licenses, and withdrawal of product forms. Any such event could, in turn, materially and adversely affect our business, financial condition, results of operations and prospects, and make it harder for us to be profitable over time. Although we have implemented policies and procedures into our business operations that we feel are appropriately calibrated to our artificial intelligence and automation-driven operations, these policies and procedures may prove inadequate.
We depend on search engines, social media platforms, digital app stores, content-based online advertising and other online sources to attract consumers to our website and our online app, which may be affected by third-party interference beyond our control and as we grow our customer acquisition costs will continue to rise.

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

With respect to search engines, we are included in search results as a result of both paid search listings, where we purchase specific search terms that result in the inclusion of our advertisement, and free search listings, which depend on algorithms used by search engines. For paid search listings, if one or more of the search engines or other online sources on which we rely for purchased listings modifies or terminates its relationship with us, our expenses could rise, we could lose consumers and traffic to our website could decrease, any of which could have a material adverse effect on our business, results of operations and financial condition. For free search listings, if search engines on which we rely for algorithmic listings modify their algorithms, our websites may appear less prominently or not at all in search results, which could result in reduced traffic to our websites.

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

Additionally, changes in regulations could limit the ability of search engines and social media platforms, including, but not limited to, Google and Facebook, to collect data from users and engage in targeted advertising, making them less effective in disseminating our advertisements to our target customers. For example, the proposed Designing Accounting Safeguards to Help Broaden Oversight and Regulations on Data (DASHBOARD) Act would mandate annual disclosure to the SEC of the type and “aggregate value” of user data used by harvesting companies, such as, but not limited to, Facebook, Google and Amazon, including how revenue is generated by user data and what measures are taken to protect the data. If the costs of advertising on search engines and social media platforms increase, we may incur additional marketing expenses or be required to allocate a larger portion of our marketing spend to other channels and our business and operating results could be adversely affected. Similarly, insurance brokerage and distribution regulation may limit our ability to rely on key distribution platforms, such as the Lemonade API, if the third party distribution platforms are unable to continue to distribute our insurance products pursuant to insurance law and regulations.

The marketing of our insurance products depends on our ability to cultivate and maintain cost-effective and otherwise satisfactory relationships with digital app stores, in particular, those
operated by Google and Apple. As we grow, we may struggle to maintain cost-effective marketing strategies, and our customer acquisition costs could rise substantially. Furthermore, because many of our customers access our insurance products through an online app, we depend on the Apple App Store and the Google Play Store to distribute our online app. Both Apple and Google have broad discretion to change their respective terms and conditions applicable to the distribution of our online app, including those relating to the amount of (and requirement to pay) certain fees associated with purchases facilitated by Apple and Google through our online app, to interpret their respective terms and conditions in ways that may limit, eliminate or otherwise interfere with our ability to distribute online app through their stores, the features we provide and the manner in which we market in-app products. We cannot assure you that Apple or Google will not limit, eliminate or otherwise interfere with the distribution of our online app, the features we provide and the manner in which we market our online app. To the extent either or both of them do so, our business, results of operations and financial condition could be adversely affected. Furthermore, one of the factors we use to evaluate our customer satisfaction and market position is our Apple App Store ratings. This rating, however, may not be a reliable indicator of our customer satisfaction relative to other companies who are rated on the Apple App Store since, to date, we have received a fraction of the number of reviews of some of the companies we benchmark against.

We also attract customers through our relationships with certain business development partners. If our business development partners were to charge higher rates or decide to terminate their relationships with us, our ability to attract customers could be materially impaired. In addition, we have expanded our direct to customer acquisition channels, including subway and taxicab panels. Our efforts to acquire customers through direct marketing may subject us to increased regulatory scrutiny by state insurance regulators pursuant to unfair methods of competition or unfair or deceptive acts or practices laws.

The market share metric included in this prospectus, which is one of the underlying factors we use to assess and evaluate our business, is based on Google Surveys, which are subject to a number of limitations.

We derive an estimate of our relative market share among first time renters from a Google survey that we conducted from August 20, 2019 to August 23, 2019 (the “Google Survey”). The Google Survey is subject to a number of limitations, including but not limited to the following:

- We are not experts in administering surveys, including phrasing survey questions and determining sample groups and sizes, which can lead to flawed and biased survey responses.
- Google Surveys do not use a true probability sampling method, and its sampling frame is not of the general public, which can lead to sample bias toward heavy internet users who are generally younger, have higher household incomes and live in more urban or suburban areas. Additionally, the demographic and geographic spread of our Google Surveys does not correspond fully to the demographics or geographic distribution of relevant insurance markets.
- The demographic targeting used in selecting respondents is based on inferred information through a respondent's IP address and types of websites he or she visits as recorded in their DoubleClick advertising cookie, which can influence the sampling and weighting process. The algorithm is not able to infer demographic information from all respondents.
- Only a limited number of questions can be administered to the same respondent and there are restrictions on how many characters a question can contain, which can affect how respondents interpret the questions. We asked two questions in our Google Survey.
• Respondents on publisher sites are intercepted while trying to view content online, which can lead to inattentive or untruthful responses.

• The data captured through the Google Survey represents information gathered at a specific point in time and with the passage of time, such data may be unreliable due to a number of factors such as changes in economic and political conditions, customer behavior, uncertainties created amid the COVID-19 pandemic, among other things, as well as due to the evolving and dynamic nature of our business.

• Because of the limited number of possible answer choices in our Google Survey, our answer choices included only two national market leaders, Allstate and State Farm. We made what we believe to be a reasonable assumption, based on public data of Allstate and State Farm being leading property and casualty carriers and management's experience and expertise in the insurance industry, that Allstate and State Farm are also renters insurance market leaders in the State of New York.

If our approach to collecting data for the market share metric via our Google Survey proves to be flawed as a result of any or all of the limitations stated above, management's business decisions and strategic planning would be based, in part, on an imprecise measure. As a result, our ability to meet business objectives, as well as our results of operations and financial condition, could be adversely affected. See "Market and Industry Data — Google Survey Data."

We may require additional capital to grow our business, which may not be available on terms acceptable to us or at all.

To the extent that our present capital (including the funds generated by this offering) is insufficient to meet future operating requirements (including regulatory capital requirements) or to cover losses, we may need to raise additional funds through financings or curtail our projected growth. Many factors will affect our capital needs as well as their amount and timing, including our growth and profitability, the availability of reinsurance, as well as market disruptions and other developments.

Historically, we have funded our operations, marketing expenditures and capital expenditures primarily through equity issuances. We evaluate financing opportunities from time to time, and our ability to obtain financing will depend, among other things, on our development efforts, business plans and operating performance, and the condition of the capital markets at the time we seek financing. In addition, the NYDFS and other regulatory bodies may not permit additional equity issuances or other forms of financing that we may wish to pursue. We cannot be certain that additional financing will be available to us on favorable terms, or at all.

If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to those of our common stock, and our existing stockholders may experience dilution. Any debt financing secured by us in the future could require that a substantial portion of our operating cash flow be devoted to the payment of interest and principal on such indebtedness, which may decrease available funds for other business activities, and could involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities.

If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth, maintain minimum amounts of risk-based capital and to respond to business challenges could be significantly limited, and our business, results of operations and financial condition could be adversely affected.
We currently offer our products through our website and online app using Amazon Web Services ("AWS") data centers, a provider of cloud infrastructure services. We rely on the internet and, accordingly, depend on the continuous, reliable and secure operation of internet servers, related hardware and software, and network infrastructure. Our operations depend on protecting the virtual cloud infrastructure hosted in AWS by maintaining its configuration, architecture, and interconnection specifications, as well as the information stored in these virtual data centers and which third-party internet service providers transmit. Furthermore, we have no physical access or control over the services provided by AWS. Although we have disaster recovery plans that utilize multiple AWS locations, the data centers that we use are vulnerable to damage or interruption from human error, intentional bad acts, earthquakes, floods, fires, severe storms, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures, and similar events, many of which are beyond our control, any of which could disrupt our services, prevent customers from accessing our products, destroy customer data, or prevent us from being able to continuously back up and record data. In the event of significant physical damage to one of these data centers, it may take a significant period of time to achieve full resumption of our services, and our disaster recovery planning may not account for all eventualities. Further, a prolonged AWS service disruption affecting our website or online app for any of the foregoing reasons could damage our reputation with current and potential customers, cause us to lose customers, or otherwise harm our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the AWS services we use. Damage or interruptions to these data centers could harm our business. Moreover, negative publicity arising from these types of disruptions could damage our reputation and may adversely impact use of our website and online app. Although we carry business interruption insurance, it may not be sufficient to compensate us for the potentially significant losses, including the potential harm to the future growth of our business that may result from interruptions in our services or products.

AWS enables us to order and reserve server capacity in varying amounts and sizes distributed across multiple regions. AWS provides us with computing and storage capacity pursuant to an agreement that continues until terminated by either party. AWS may terminate the agreement for cause upon 30 days’ notice (i) if we are in material breach of the agreement and the material breach remains uncured for a period of 30 days from receipt of notice of such breach, (ii) if AWS’s relationship with a third-party partner who provides software or other technology AWS uses to provide the service offerings under the agreement expires, terminates or requires AWS to change the way it provides the software or other technology as part of the services it renders pursuant to the agreement, (iii) in order to comply with the law or requests of governmental entities, (iv) if our use of the service offerings under the agreement (w) pose a security risk to the service offerings or any third party under the agreement, (x) could adversely impact AWS’s systems, the service offerings or the systems or content of any other AWS customer, (y) could subject AWS or its affiliates or any third party to liability, or (z) could be fraudulent, or (v) if we are in breach of the payment obligations pursuant to the agreement or we have ceased to operate in the ordinary course, made an assignment for the benefit of creditors or similar disposition of our assets, or become the subject of any bankruptcy, reorganization, liquidation, dissolution or similar proceeding. Termination of the AWS agreement may harm our ability to access data centers we need to host our website and online app or to do so on terms as favorable as those we have with AWS.

As we continue to expand the number of customers to whom we provide our products and services, we may not be able to scale our technology to accommodate the increased capacity.
requirements, which may result in interruptions or delays in service. In addition, the failure of AWS data centers or third-party internet service providers to meet our capacity requirements could result in interruptions or delays in access to our website or online app or impede our ability to scale our operations. In the event that our AWS service agreements are terminated, or there is a lapse of service, interruption of internet service provider connectivity or damage to such facilities, we could experience interruptions in access to our website or online app as well as delays and additional expense in arranging new facilities and services, which could harm our business, results of operations, and financial condition.

**Security incidents or real or perceived errors, failures or bugs in our systems, website or app could impair our operations, result in loss of personal customer information, damage our reputation and brand, and harm our business and operating results.**

Our continued success is dependent on our systems, applications, and software continuing to operate and to meet the changing needs of our customers and users. We rely on our technology and engineering staff and vendors to successfully implement changes to and maintain our systems and services in an efficient and secure manner. Like all information systems and technology, our website and online app may contain material errors, failures, vulnerabilities or bugs, particularly when new features or capabilities are released, and may be subject to computer viruses or malicious code, break-ins, phishing impersonation attacks, attempts to overload our servers with denial-of-service or other attacks, ransomware and similar incidents or disruptions from unauthorized use of our computer systems, as well as unintentional incidents causing data leakage, any of which could lead to interruptions, delays or website or online app shutdowns, or could cause loss of critical data, or the unauthorized disclosure, access, acquisition, alteration or use of personal or other confidential information.

If we experience compromises to our security that result in technology performance, integrity, or availability problems, the complete shutdown of our website or our online app or the loss or unauthorized disclosure, access, acquisition, alteration or use of confidential information, customers may lose trust and confidence in us, and customers may decrease the use of our website or our online app, or stop using our website or our online app entirely. Further, outside parties may attempt to fraudulently induce employees or customers to disclose sensitive information in order to gain access to our information or customers' information. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, often they are not recognized until launched against a target, and may originate from less regulated and remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventative measures. Even if we take steps that we believe are adequate to protect us from cyber threats, hacking against our competitors or other companies could create the perception among our customers or potential customers that our digital platform is not safe to use.

A significant impact on the performance, reliability, security, and availability of our systems, software, or services may harm our reputation, impair our ability to operate, retain existing customers or attract new customers, and expose us to legal claims and government action, each of which could have a material adverse impact on our financial condition, results of operations, and growth prospects.

**We are currently undergoing, but have not yet completed, a full scope examination by our primary state insurance regulator, which could result in adverse examination findings and necessitate remedial actions.**

As a New York State-domiciled insurance company, our primary insurance regulator responsible for our supervision and examination is the NYDFS. Periodically, the NYDFS performs examinations of insurance companies under its jurisdiction to assess compliance with applicable
laws and regulations, financial condition and the conduct of regulated activities. While we were examined pursuant to our initial insurance licensing process, we are currently undergoing, but have not yet completed, a full scope insurance examination, which began on October 28, 2019. This examination provides the NYDFS a significant opportunity to review and scrutinize our business. If, as a result of this examination, the NYDFS determines that our financial condition, capital resources, or other aspects of any of our operations are less than satisfactory, or that we are in violation of applicable laws or regulations, the NYDFS may require us to take one or more remedial actions or otherwise subject us to regulatory scrutiny, such as pursuant to an enforcement action. We cannot predict with precision the likelihood, nature, or extent of any necessary remedial actions, if any, resulting from this examination, or the associated costs of such remedial actions or regulatory scrutiny. In addition, insurance regulators of other states in which we are licensed to operate may also conduct periodic financial examinations or other targeted investigations. Any regulatory or enforcement action or any regulatory order imposing remedial, injunctive, or other corrective action against us resulting from these examinations could have a material adverse effect on our business, reputation, financial condition or results of operations.

We collect, process, store, share, disclose and use customer information and other data, and our actual or perceived failure to protect such information and data, respect customers' privacy or comply with data privacy and security laws and regulations could damage our reputation and brand and harm our business and operating results.

Use of technology to offer insurance products involves the storage and transmission of information, including personal information, in relation to our staff, contractors, business partners and current, past or potential customers. Security breaches, including by hackers or insiders, could expose confidential information, which could result in potential regulatory investigations, fines, penalties, compliance orders, liability, litigation and remediation costs, as well as reputational harm, any of which could materially adversely affect our business and financial results. For example, unauthorized parties could steal or access our users' names, email addresses, physical addresses, phone numbers and other information that we collect when providing insurance quotes, and credit card or other payment information if a customer agrees to purchase insurance coverage from us. Further, outside parties may attempt to fraudulently induce employees or customers to disclose sensitive information in order to gain access to our information or customers' information. Any of these incidents, or any other types of security or privacy related incidents, could result in an investigation by a competent regulator, resulting in a fine or penalty, or an order to implement specific compliance measures. It could also trigger claims by affected third parties. While we use encryption and authentication technology licensed from third parties designed to effect secure transmission of such information, we cannot guarantee the security of the transfer and storage of personal information.

Any or all of the issues above could adversely affect our ability to attract new customers or retain existing customers, or subject us to governmental or third-party lawsuits, investigations, regulatory fines or other actions or liability, resulting in a material adverse effect to our business, results of operations and financial condition.

On June 28, 2018, California enacted a new privacy law known as the California Consumer Privacy Act of 2018 ("CCPA"), which became effective January 1, 2020. The CCPA increases privacy rights for California residents and imposes obligations on companies that process their personal information, including an obligation to provide certain new disclosures to such residents. Specifically, among other things, the CCPA creates new consumer rights, and imposes corresponding obligations on covered businesses, relating to the access to, deletion of, and sharing of personal information collected by covered businesses, including California residents' right to access and delete their personal information, opt out of certain sharing and sales of their personal
information, and receive detailed information about how their personal information is used. The law exempts from certain requirements of the CCPA certain information that is collected, processed, sold, or disclosed pursuant to the California Financial Information Privacy Act, the federal Gramm-Leach-Bliley Act or the federal Driver's Privacy Protection Act. The definition of "personal information" in the CCPA is broad and may encompass other information that we maintain beyond that excluded under the Gramm-Leach-Bliley Act, the Driver's Privacy Protection Act or the California Financial Information Privacy Act exemption. Further, the CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action is expected to increase the likelihood of, and risks associated with, data breach litigation. In addition, it remains unclear how various provisions of the CCPA will be interpreted and enforced. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States, and multiple states have enacted, or are expected to enact, similar laws. There is also discussion in Congress of a new comprehensive federal data protection and privacy law to which we likely would be subject if it is enacted.

The effects of the CCPA, and other similar state or federal laws, are potentially significant and may require us to modify our data processing practices and policies and to incur substantial costs and potential liability in an effort to comply with such legislation.

As we continue to expand into Europe, we may also face particular privacy, data security, and data protection risks in connection with requirements of the General Data Protection Regulation (E.U.) 2016/679 (the "GDPR") and other data protection regulations. Any failure or perceived failure to comply with these rules may result in regulatory fines or penalties including orders that require us to change the way we process data (including by way of our algorithms). In the event of a data breach, we are also subject to breach notification laws in the jurisdictions in which we operate, including U.S. state laws and the GDPR, and the risk of litigation and regulatory enforcement actions. In addition, a number of federal and state laws and regulations relating to privacy affect and apply to the insurance industry specifically, including those imposed by the NYDFS. See "Regulation."

Additionally, we are subject to the terms of our privacy policies and privacy-related obligations to third parties. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to customers or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of sensitive information, which could include personally identifiable information or other user data, may result in governmental or regulatory investigations, enforcement actions, regulatory fines, compliance orders, litigation or public statements against us by consumer advocacy groups or others, and could cause customers to lose trust in us, all of which could be costly and have an adverse effect on our business. In addition, new and changed rules and regulations regarding privacy, data protection (in particular those that impact the use of artificial intelligence) and cross-border transfers of customer information could cause us to delay planned uses and disclosures of data to comply with applicable privacy and data protection requirements. Moreover, if third parties that we work with violate applicable laws or our policies, such violations also may put personal information at risk, which may result in increased regulatory scrutiny and have a material adverse effect to our reputation, business and operating results.

We employ third-party licensed software for use in our business, and the inability to maintain these licenses, errors in the software we license or the terms of open source licenses could result in increased costs or reduced service levels, which would adversely affect our business.

Our business relies on certain third-party software obtained under licenses from other companies. We anticipate that we will continue to rely on such third-party software in the future. Although we believe that there are commercially reasonable alternatives to the third-party software
we currently license, this may not always be the case, or it may be difficult or costly to replace. In addition, integration of new third-party software may require significant work and require substantial investment of our time and resources. Our use of additional or alternative third-party software would require us to enter into license agreements with third parties, which may not be available on commercially reasonable terms or at all. Many of the risks associated with the use of third-party software cannot be eliminated, and these risks could negatively affect our business.

Additionally, the software powering our technology systems incorporates software covered by open source licenses. The terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that the licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to operate our systems. In the event that portions of our proprietary software are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code or re-engineer all or a portion of our technology systems, each of which could reduce or eliminate the value of our technology systems. Such risk could be difficult or impossible to eliminate and could adversely affect our business, financial condition, and results of operations.

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

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

**We may face particular privacy, data security, and data protection risks as we continue to expand into Europe in connection with the GDPR and other data protection regulations.**

The GDPR applies to the processing of personal data by our business in the context of our establishments in the European Union. In addition, all portions of our business established outside the European Union may be required to comply with the requirements of the GDPR with respect to the offering of products or services to individuals in the European Union. The GDPR could also apply to our establishments of business outside the European Union if we were to monitor the activities of individuals in the European Union or become established in the European Union. The GDPR increases the maximum level of fines for the most serious compliance failures to the greater of four percent of annual worldwide turnover or €20,000,000.

We may also be subject to the local privacy and data protection laws of the E.U. Member States in which we offer products or services, which can carry penalties and potential criminal sanctions.

The regulatory requirements and restrictions set out in the GDPR include, among others, the following:

- The GDPR imposes a number of principles with respect to the processing of personal data, including requirements to process personal data lawfully, fairly, and in a transparent manner, to process personal data only to the extent necessary for the purposes required, maintain the accuracy of personal data, limit the retention of personal data for no longer than is necessary, and maintain appropriate technical and organizational security measures against unauthorized processing or accidental loss, destruction, or damage.
We are implementing external and internal policies and procedures, technical measures and internal training designed to adhere to those principles;

- In relation to the transparency principle, the GDPR requires us to provide individuals in the European Union whose personal data we process ("data subjects") with certain information regarding the processing of their personal data by us, and we have an E.U. privacy policy, which can be found at https://www.lemonade.com/de/en/privacy-policy (with respect to Germany) and https://www.lemonade.com/nl/en/privacy-policy (with respect to the Netherlands);

- The GDPR requires us to maintain internal records of our processing activities and to make those records available to regulators on demand;

- The GDPR requires us to include certain mandatory terms in our agreements with third parties that process personal data subject to the GDPR on our behalf ("Processors") and we are in the process of entering into compliant data processing terms with each of our Processors. If third parties with whom we work were to violate their obligations under the GDPR, and/or under their agreements with us, such violation could potentially have an adverse impact on our business;

- The GDPR imposes restrictions on the export of personal data to countries outside the European Economic Area ("EEA") to the extent any personal data relating to an individual in the EEA is exported outside the EEA; we are implementing suitable terms for such export as required by the GDPR;

- The GDPR grants data subjects certain rights, including the right to object to the processing of their personal data by us, to request copies of their personal data from us, to receive information regarding the processing of their personal data and to exercise certain other rights against us in respect of their personal data, and we are implementing internal policies and procedures designed to address those rights;

- The GDPR prohibits automated decision making, i.e. a decision evaluating a data subject's personal aspects based solely on automated processing that produces legal effects or other significant effects for that data subject, except where such decision making is necessary for entering into or performing a contract or is based on the data subject's explicit consent. There is not yet any clear precedent as to whether use of artificial intelligence to make insurance offers to individuals will be considered necessary even though it is integral to our business model. If our automated decision making processes cannot meet this necessity threshold, we cannot use these processes with E.U. data subjects unless we obtain their explicit consent. Relying on consent to conduct this type of processing holds its own risks because consent must be considered freely given (commentators argue that seeking consent by tying it to a service may be problematic) and consent can be withdrawn by a data subject at any time. We are continually monitoring for updates to guidance in this area, however, if subsequent guidance and/or decisions limit our ability to use our artificial intelligence models, that may decrease our operational efficiency and result in an increase to the costs of operating our business. Automated decision making also attracts a higher regulatory burden under the GDPR, which requires the existence of such automated decision making be disclosed to the data subject including a meaningful explanation of the logic used in such decision making, and safeguards must be implemented to safeguard individual rights, including the right to obtain human intervention and to contest any decision; and
The GDPR also places limits on the profiling of individuals, i.e. processing of personal data to evaluate certain personal aspects, like analyzing or predicting aspects of a person's economic situation, health, personal preferences, location, etc. There is a lack of clarity on when we can rely on consent from the data subject to conduct profiling, or when we can rely on our legitimate business interests to do so. In the latter case, it is unclear what kind of opt-out mechanism would be required to achieve GDPR compliance. We are continually monitoring for updates to guidance in this area, however, if subsequent guidance and/or decisions limit our ability to engage in profiling, that may decrease our operational efficiency and result in an increase to the costs of operating our business.

In respect of these measures, we rely on positions and interpretations of the law that have yet to be fully tested before the relevant courts and regulators. If a regulator or court of competent jurisdiction determined that one or more of our compliance efforts does not satisfy the applicable requirements of the GDPR, or if any party brought a claim in this regard, there could be potential governmental or regulatory investigations, enforcement actions, regulatory fines, compliance orders, litigation or public statements against us by consumer advocacy groups or others, and that could cause customers to lose trust in us and damage our reputation. Likewise, a change in guidance could be costly and have an adverse effect on our business.

In addition, Directive 2002/58/EC (as amended by Directive 2009/136/EC) (together, the "e-Privacy Directive") governs, among other things, the use of cookies and the sending of electronic direct marketing within the European Union and, as such, will apply to our marketing activities within the European Union. The ePrivacy Directive will be replaced by an E.U. regulation known as the ePrivacy Regulation, which is still under development and is expected to replace current national laws that implement the ePrivacy Directive. As agreement of the final text of E-Privacy Regulation has been significantly delayed, various E.U. Data Protection Authorities have published guidance clarifying that opt-in consent is now required in respect of cookies used for marketing and in most cases analytics (the position on the use of first-party cookies for analytics is not clear). The decline of cookies or other tracking technologies as a means to identify and target potential purchases may increase the cost of operating our business and lead to a decline in revenues and impair our ability to collect user information. In addition, legal uncertainties about the legality of cookies and other tracking technologies may lead to regulatory scrutiny and increase potential civil liability under data protection or consumer protection laws. Any such changes may force us to incur substantial costs or require us to change our business practices which could compromise our ability to pursue our growth strategy effectively and may adversely affect our ability to acquire customers or otherwise harm our business, financial condition and operating results.

Any significant change to applicable laws, regulations, interpretations of laws or regulations, or market practices, regarding the use of personal data, or regarding the manner in which we seek to comply with applicable laws and regulations, could require us to make modifications to our products, services, policies, procedures, notices, and business practices, including potentially material changes. Such changes could potentially have an adverse impact on our business.

Starting on January 1, 2021 (when the transitional period following the United Kingdom's ("UK") departure from the European Union ("Brexit") is currently scheduled to expire, unless that transition period is extended by mutual agreement), we will have to comply with the GDPR and the UK GDPR (i.e. the GDPR as implemented into UK law) if we offer services to UK users, monitor their behavior or are established in the United Kingdom. Failure to comply with the UK GDPR can result in fines up to the greater of £17 million (approximately $20 million), or 4% of global turnover. The relationship between the United Kingdom and the European Union in relation to certain aspects of data protection law remains unclear, for example, what the role of the Information Commissioner's Office will be following the end of the transitional period. In addition, it is likely that documentation will need to be
Table of Contents

put in place between UK entities and entities in European member states to ensure adequate safeguards are in place for data transfers, which may mean that our business incurs additional costs with respect to transfers of personal data between the European Union and the UK. We may find it necessary or advantageous to join industry bodies, or self-regulatory organizations, that impose stricter compliance requirements than those set out in applicable laws, including the GDPR. We may also be bound by contractual restrictions that prevent us from participating in data processing activities that would otherwise be permissible under applicable laws, including the GDPR. Such strategic choices may impact our ability to exploit data, and may have an adverse impact on our business.

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

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

We rely on the experience and expertise of our Co-Founders, senior management team, highly-specialized insurance experts, key technical employees and other highly skilled personnel.

Our success depends upon the continued service of Daniel Schreiber, our co-founder, Chief Executive Officer and a member of our board of directors, and Shai Wininger, our co-founder, President, Chief Operating Officer and a member of our board of directors (collectively with Mr. Schreiber, our "Co-Founders"), and senior management team, highly-specialized insurance experts and key technical employees, as well as our ability to continue to attract and retain additional highly qualified personnel. Our future success depends on our continuing ability to identify, hire, develop, motivate, retain and integrate highly skilled personnel for all areas of our organization. If we are unable to attract the requisite personnel, our business and prospects may be adversely affected. Each of our Co-Founders, executive officers, specialized insurance experts, key technical personnel and other employees could terminate his or her relationship with us at any time. The loss of either of our Co-Founders or any other member of our senior management team, specialized insurance experts or key personnel might significantly delay or prevent the achievement of our strategic business objectives and could harm our business. We rely on a small number of highly-specialized insurance experts, the loss of any one of whom could have a disproportionate impact on our business. Competition in our industry for qualified employees is intense. Our compensation arrangements, such as our equity award programs, may not always be successful in attracting new employees and retaining and motivating our existing employees. Moreover, if and when the stock options or other equity awards are substantially vested, employees under such equity arrangements may be more likely to leave, particularly when the underlying shares have seen a value appreciation.
Furthermore, several members of our management team were hired recently. If we are not able to integrate these new team members or if they do not perform adequately, our business may be harmed.

We face significant competition for personnel, particularly in New York, where our headquarters is located and in Tel Aviv, where many of our technical employees are located. To attract top talent, we have to offer, and believe we will need to continue to offer, competitive compensation and benefits packages. We may also need to increase our employee compensation levels in response to competitor actions. If we are unable to hire new employees quickly enough to meet our needs, or otherwise fail to effectively manage our hiring needs or successfully integrate new hires, including our recently hired management team members, our efficiency, ability to meet forecasts and our employee morale, productivity and retention could suffer, which in turn could have an adverse effect on our business, results of operations and financial condition.

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

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

Political, economic and military conditions in Israel could negatively impact our operations.

Our Co-Founders and some of our product development staff, help desk and online sales support operations are located in Israel. As of March 31, 2020, we had 123 full-time employees in Israel. Although we do not currently sell our insurance products in Israel, we are directly influenced by the political, economic and military conditions affecting Israel. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel, its neighboring countries, Hamas (an Islamist militia and political group that controls the Gaza Strip), and Hezbollah (an Islamist militia and political group based in Lebanon). In addition, several countries, principally in the Middle East, restrict doing business with Israel, and additional countries may impose restrictions on doing business with Israel and Israeli companies whether as a result of hostilities in the region or otherwise. Moreover, there have been increased efforts by organizations and movements to cause companies and consumers to boycott Israeli goods based on Israeli government policies. Any hostilities involving Israel could adversely affect our operations and results of operations. Specifically, our operations could be disrupted by the obligations of our personnel to perform military service. Many of our employees based in Israel may be called upon to perform military reserve duty and, in emergency circumstances, may be called to immediate and unlimited active duty. If this were to occur, our operations could be disrupted by the absence of a significant number of employees, which could materially adversely affect our business and results of operations.

Parties with whom we do business may sometimes decline to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements when necessary to meet our business partners face to face. Further, shifting economic and political conditions in the United States and in other countries may result in changes in how the United States and other countries conduct business and other relations with Israel, which may have an adverse impact on our Israeli operations and a material adverse impact on our business.
Our commercial insurance may not cover losses that could occur as a result of events associated with the security situation in the Middle East. Any losses or damages incurred by us could have a material adverse effect on our business. Armed conflicts or political instability in the region could negatively affect our business and could harm our results of operations.

Continued hostilities between Israel and its neighbors and any future armed conflict, terrorist activity or political instability in the region could adversely affect our operations in Israel and adversely affect the market price of our common stock. An escalation of tensions or violence might result in a significant downturn in the economic or financial condition of Israel, which could have a material adverse effect on our operations in Israel and our business.

We may become subject to claims under Israeli law for remuneration or royalties for assigned service invention rights by our Israel-based contractors or employees, which could result in litigation and adversely affect our business.

We enter into assignment of invention agreements with employees and contractors, pursuant to which such individuals assign to us all rights to any inventions created in the scope of their employment or engagement with us. Under the Israeli Patent Law, 5727-1967 (the "Israel Patent Law"), inventions conceived by an employee or a person deemed to be an employee during and in consequence of their employment are regarded as "service inventions," which belong to the employer, absent a specific agreement between employee and employer giving the employee service invention rights. In the case of a service invention, employees and former employees may petition the Israeli Compensation and Royalties Committee established under the Israel Patent Law to determine whether they are entitled to remuneration for their service inventions. The Israeli Compensation and Royalties Committee and the Supreme Court have held that employees may be entitled to remuneration for their service inventions despite having waived such rights, resulting in uncertainty under Israeli law with respect to the efficacy of waivers of service invention rights. Although our contractors and employees have agreed to assign to us service invention rights, we may face claims demanding remuneration in consideration for assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to our current or former contractors or employees, or be forced to litigate such claims, which could negatively affect our business.

Our company culture has contributed to our success and if we cannot maintain this culture as we grow, our business could be harmed.

We believe that our company culture has been critical to our success. Our status as a Certified B Corp and commitment to charitable giving distinguish us from our competitors and promote a relationship among our employees and customers founded on trust. We not only seek to engender a trusting relationship between our brand and our customers, but also among our employees. Our ability to continue to cultivate and maintain this culture is essential to our growth and continued success. We face a number of challenges that may affect our ability to sustain our corporate culture, including:

- failure to identify, attract, reward and retain people in leadership positions in our organization who share and further our culture, values and mission;
- the increasing size and geographic diversity of our workforce, and our ability to promote a uniform and consistent culture across all our offices and employees;
- the market perception about our charitable contributions and social and political stances;
- competitive pressures to move in directions that may divert us from our mission, vision and values;
the continued challenges of a rapidly-evolving industry; and

the increasing need to develop expertise in new areas of business that affect us.

Our unique culture is one of our core characteristics that helps us to attract and retain key personnel. If we are not able to maintain our culture, we would have to incur additional costs and find alternative methods to recruit key employees, which in turn could cause our business, results of operations and financial condition to be adversely affected.

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

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

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

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

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

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

- insufficient or unreliable data;
- incorrect or incomplete analysis of available data;
- uncertainties generally inherent in estimates and assumptions;
- our failure to implement appropriate actuarial projections and rating formulas or other pricing methodologies;
- incorrect or incomplete analysis of the competitive environment;
regulatory constraints on rate increases; and

• our failure to accurately estimate investment yields and the duration of our liability for loss and loss adjustment expenses, as well as unanticipated court decisions, legislation or regulatory action.

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

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

Approximately 61% of our gross written premium for the three months ended March 31, 2020 originated from customers in California, New York, and Texas. As a result of this concentration, if a significant catastrophe event or series of catastrophe events occur, such as the recent outbreak of a novel strain of coronavirus ("COVID-19"), and cause material losses in California, New York and Texas, our business, financial condition and results of operation could be materially adversely affected. Further, as compared to our competitors who operate on a wider geographic scale, any adverse changes in the regulatory environment affecting property and casualty insurance in California, New York and Texas may expose us to more significant risks.

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

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

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

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

Failure to protect or enforce our intellectual property rights could harm our business, results of operations and financial condition.

Our success is dependent in part on protecting our intellectual property rights and technology (such as source code, information, data, processes and other forms of information, knowhow and technology). We rely on a combination of copyrights, trademarks, service marks, trade secret laws and contractual restrictions to establish and protect our intellectual property. However, there are steps that we have not yet taken to protect our intellectual property on a global basis. Additionally, the steps that we have already taken to protect our intellectual property may not be sufficient or effective. Even if we do detect violations, we may need to engage in litigation to enforce our rights.

While we take precautions designed to protect our intellectual property, it may still be possible for competitors and other unauthorized third parties to copy our technology and use our proprietary brand, content and information to create or enhance competing solutions and services, which could adversely affect our competitive position in our rapidly evolving and highly competitive industry. Some license provisions that protect against unauthorized use, copying, transfer and disclosure of our technology may be unenforceable under the laws of certain jurisdictions and foreign countries. We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with our third-party providers and strategic partners. We cannot assure you that these agreements will be effective in controlling access to, and use and distribution of, our platform and proprietary information. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our offerings. Such arrangements may limit our ability to protect, maintain, enforce or commercialize such intellectual property rights, including requiring agreement with or payment to our joint development partners before protecting, maintaining, licensing or initiating enforcement of such intellectual property rights, and may allow such joint development partners to register, maintain, enforce or license such intellectual property rights in a manner that may affect the value of the jointly-owned intellectual property or our ability to compete in the market.

We have filed, and may continue in the future to file, applications to protect certain of our innovations and intellectual property. We do not know whether any of our applications will result in

44
the issuance of a patent, trademark or copyright, as applicable, or whether the examination process will require us to narrow our claims. In addition, we may not receive competitive advantages from the rights granted under our intellectual property. Our existing intellectual property, and any intellectual property granted to us or that we otherwise acquire in the future, may be contested, circumvented or invalidated, and we may not be able to prevent third parties from infringing our rights to our intellectual property. Therefore, the exact effect of the protection of this intellectual property cannot be predicted with certainty. In addition, given the costs, effort, risks and downside of obtaining patent protection, including the requirement to ultimately disclose the invention to the public, we may choose not to seek patent protection for certain innovations. Any failure to adequately obtain such patent protection, or other intellectual property protection, could later prove to adversely impact our business.

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

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

Although we take measures to protect our intellectual property, if we are unable to prevent the unauthorized use or exploitation of our intellectual property, the value of our brand, content, and other intangible assets may be diminished, competitors may be able to more effectively mimic our service and methods of operations, the perception of our business and service to customers and potential customers may become confused, and our ability to attract customers may be adversely affected. Any inability or failure to protect our intellectual property could adversely impact our business, results of operations and financial condition.

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

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

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

If we are unable to make acquisitions and investments, or successfully integrate them into our business, our business, results of operations and financial condition could be adversely affected.

As part of our business strategy, we will continue to consider a wide array of potential strategic transactions, including acquisitions of businesses, new technologies, services and other assets and strategic investments that complement our business. We may evaluate target companies and make acquisitions in the future. There is no assurance that such acquired businesses will be successfully integrated into our business or generate substantial revenue.

Acquisitions involve numerous risks, any of which could harm our business and negatively affect our financial condition and results of operations, including:

- intense competition for suitable acquisition targets, which could increase prices and adversely affect our ability to consummate deals on favorable or acceptable terms;
- failure or material delay in closing a transaction, including as a result of regulatory review and approvals;
- inadequacy of reserves for losses and loss expenses;
- quality of their data and underwriting processes;
- conditions imposed by regulatory agencies that make the realization of cost-savings through integration of operations more difficult;
- difficulties in obtaining regulatory approvals on our ability to be an acquirer;
- a need for additional capital that was not anticipated at the time of the acquisition.
transformation-related lawsuits or claims;

• difficulties in integrating the technologies, operations, existing contracts and personnel of an acquired company;

• difficulties in retaining key employees or business partners of an acquired company;

• diversion of financial and management resources from existing operations or alternative acquisition opportunities;

• failure to realize the anticipated benefits or synergies of a transaction;

• failure to identify the problems, liabilities or other shortcomings or challenges of an acquired company or technology, including issues related to intellectual property, regulatory compliance practices, litigation, accounting practices, or employee or user issues;

• risks that regulatory bodies may enact new laws or promulgate new regulations that are adverse to an acquired company or business;

• theft of our trade secrets or confidential information that we share with potential acquisition candidates;

• risk that an acquired company or investment in new offerings cannibalizes a portion of our existing business; and

• adverse market reaction to an acquisition.

If we fail to address the foregoing risks or other problems encountered in connection with past or future acquisitions of businesses, new technologies, services and other assets and strategic investments, or if we fail to successfully integrate such acquisitions or investments, our business, results of operations and financial condition could be adversely affected.

Recent U.S. tax legislation may materially adversely affect our financial condition, results of operations and cash flows.

On December 22, 2017, President Trump signed into law a comprehensive tax reform bill, or the Tax Cuts and Jobs Act* (the "TCJA"), that significantly reforms the Internal Revenue Code of 1986, as amended (the "Code"). The TCJA, among other things, contains significant changes to corporate taxation, including a reduction of the corporate income tax rate, a partial limitation on the deductibility of business interest expense, limitation of the deduction for certain net operating losses to 80% of current year taxable income, an indefinite carryforward of certain net operating losses, immediate deductions for certain new investments instead of deductions for depreciation expense over time and the modification or repeal of many business deductions and credits. We continue to examine the impact of this tax reform legislation, and as its overall impact is uncertain, we note that the TCJA could adversely affect our business and financial condition. The impact of this tax reform legislation on holders of our common stock is also uncertain and could be adverse.

We may not be able to utilize a portion of our net operating loss carryforwards ("NOLs") to offset future taxable income for U.S. federal income tax purposes, which could adversely affect our net income and cash flows.

As of December 31, 2019, we had federal income tax NOLs of approximately $186.1 million available to offset our future taxable income, if any, prior to consideration of annual limitations that may be imposed under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), or otherwise. Of our NOL, $36.8 million of losses will begin to expire in 2035 and $149.3 million of losses can be carried forward indefinitely.
We may be unable to fully use our NOLs, if at all. Under Section 382 of the Code, if a corporation undergoes an "ownership change" (very generally defined as a greater than 50% change, by value, in the corporation's equity ownership by certain shareholders or groups of shareholders over a rolling three-year period), the corporation's ability to use its pre-ownership change NOLs to offset its post-ownership change income may be limited. We may experience ownership changes in the future as a result of subsequent shifts in our stock ownership, including this offering, some of which may be outside of our control. If we undergo an ownership change, we may be prevented from fully utilizing our NOLs existing at the time of the ownership change prior to their expiration. Future regulatory changes could also limit our ability to utilize our NOLs. To the extent we are not able to offset future taxable income with our NOLs, our net income and cash flows may be adversely affected.

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

Our success depends in significant part on our ability to expand into additional markets in the United States and abroad. We are currently licensed in 40 states of the United States and operate in 28 of those states, including Washington, D.C., which are home to approximately 75% of the U.S. population. We have targeted coverage across all 50 states, but we cannot guarantee that we will be able to provide nationwide coverage in the near term or at all. Moreover, one or more states could revoke our license to operate, or implement additional regulatory hurdles that could inhibit our ability to obtain or maintain our license in such states.

In addition to growing our domestic business, we have started expanding our presence internationally, particularly in Europe. We currently hold a pan-European license, which allows us to sell in 31 countries across Europe, and commenced operating in Germany on June 11, 2019 and in the Netherlands on April 2, 2020. Operating outside of the United States may require significant management attention to oversee operations over a broad geographic area with varying cultural norms and customs, in addition to placing strain on our finance, analytics, compliance, legal, engineering, and operations teams. We may incur significant operating expenses and may not be successful in our international expansion for a variety of reasons, including:

- obtaining any required government approvals, licenses or other authorizations;
- complying with varying laws and regulatory standards, including with respect to the insurance business and insurance distribution, capital and outsourcing requirements, data privacy, tax and local regulatory restrictions;
- recruiting and retaining talented and capable employees in foreign countries;
- competition from local incumbents that better understand the local market, may market and operate more effectively and may enjoy greater local affinity or awareness;
- differing demand dynamics, which may make our product offerings less successful;
- currency exchange restrictions or costs and exchange rate fluctuations;
- operating in jurisdictions that do not protect intellectual property rights to the same extent as the United States; and
- limitations on the repatriation and investment of funds as well as foreign currency exchange restrictions.

Our limited experience in operating our business internationally increases the risk that any potential future expansion efforts that we may undertake may not be successful. If we invest substantial time and resources to expand our operations internationally and are unable to manage
these risks effectively, our business, results of operations and financial condition could be adversely affected.

In addition, international expansion may increase our risks in complying with various laws and standards, including with respect to anti-corruption, anti-bribery, anti-money laundering, export controls, and trade and economic sanctions.

Expansion into new markets here and abroad will require additional investments by us in both regulatory approvals and marketing. These incremental costs may include hiring additional personnel, as well as engaging third-party service providers and other research and development costs. If we fail to grow our geographic footprint or geographic growth occurs at a slower rate than expected, our business, results of operations and financial condition could be materially and adversely affected.

**Fluctuations in foreign currency exchange rates may adversely affect our financial results.**

Since we conduct limited operations in Israel and Europe, portions of our revenues, expenses, assets and liabilities are denominated in New Israeli Shekels and euros. Because our consolidated financial statements are presented in U.S. dollars, we must translate non-U.S. dollar denominated revenues, income and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, increases or decreases in the value of the U.S. dollar against the other currencies may affect our revenues, income and the value of balance sheet items denominated in foreign currencies.

External events such as Brexit, global pandemics, the ongoing uncertainty regarding actual and potential shifts in U.S. and foreign, trade, economic and other policies, the passage of U.S. taxation reform legislation, and concerns over interest rates (particularly short-term rates) each have caused, and may continue to cause, significant volatility in currency exchange rates, especially among the U.S. dollar, the pound sterling and the euro. If global economic and market conditions, or economic conditions in the United Kingdom, European Union, the United States or other key markets remain uncertain or deteriorate further, the value of the pound sterling and euro and the global credit markets may further weaken.

**Risks Relating to Our Industry**

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

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

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

We are subject to extensive insurance industry regulations.

We are currently licensed in 40 states of the United States and operate in 28 of those states, including Washington, D.C. We also hold a pan-European license, which allows us to sell in 31 countries across Europe, and commenced operating in Germany on June 11, 2019 and in the Netherlands on April 2, 2020.

In the United States, each state regulator retains the authority to license insurers in their states, and an insurer generally may not operate in a state in which it is not licensed. Accordingly, we are not permitted to sell insurance to residents of the remaining states and territories of the United States, which is likely to put us at a disadvantage among many of our competitors that have been in business much longer than us and are licensed to sell their insurance products in most, if not all, U.S. jurisdictions.

We are subject to extensive regulation and supervision in the states in which we transact business by the individual state insurance departments. This regulation is generally designed to protect the interests of customers, and not necessarily the interests of insurers or agents, their shareholders or other investors. Numerous aspects of our insurance business are subject to regulation, including, but not limited to, premium rates, mandatory covered risks, limitations on the ability to renew or elect not to renew business, prohibited exclusions, licensing and appointment of agents, restrictions on the size of risks that may be insured under a single policy, reserves and provisions for unearned premiums, losses and other obligations, deposits of securities for the benefit of customers, investments and capital, policy forms and coverages, advertising and other conduct, including restrictions on the use of credit information and other factors in underwriting, as well as other underwriting and claims practices. To the extent we decide to expand our current product offerings to include other insurance products, such as pet, auto, or life insurance, this would subject us to additional regulatory requirements and scrutiny in each state in which we elect to offer such products. States have also adopted legislation defining and prohibiting unfair methods of competition and unfair or deceptive acts and practices in the business of insurance. Prohibited practices include, but are not limited to, misrepresentations, false advertising, coercion, disparaging other insurers, unfair claims settlement procedures, and discrimination in the business of insurance. Noncompliance with any of such state statute may subject us to regulatory action by the relevant state insurance regulator, and, in certain states, private litigation. States also regulate various aspects of the contractual relationships between insurers and independent agents.

Such laws, rules and regulations are usually overseen and enforced by the various state insurance departments, as well as through private rights of action and by state attorneys general. Such regulations or enforcement actions are often responsive to current consumer and political sensitivities, such as homeowners insurance rates and coverage forms, or which may arise after a major event. Such rules and regulations may result in rate suppression, limit our ability to manage our exposure to unprofitable or volatile risks, or lead to fines, premium refunds or other adverse consequences. The federal government also may regulate aspects of our businesses, such as the protection of consumer confidential information or the use of consumer insurance (credit) scores to underwrite and assess the risk of customers under the Fair Credit Reporting Act ("FCRA"). Among other things, the FCRA requires insurance companies to have a permissible purpose before obtaining and using a consumer report for underwriting purposes, as well as comply with related
notice and recordkeeping requirements. Failure to comply with federal requirements under the FCRA or any other applicable federal laws would subject us to regulatory fines and other sanctions. In addition, given our short operating history to-date and rapid speed of growth, we are particularly vulnerable to regulators identifying errors in the policy forms we use, the rates we charge, and our customer communications. As a result of such noncompliance, regulators could impose fines, rebates or other penalties, including cease-and-desist orders for an individual state, or all states, until the identified noncompliance is rectified.

The NYDFS, the insurance regulatory authority in the State of New York, may conduct special or targeted examinations to address particular concerns or issues at any time. Insurance regulators of other states in which Lemonade Insurance Company is licensed to sell insurance may also conduct periodic examinations. The results of these examinations can give rise to regulatory orders requiring remedial, injunctive, or other corrective action.

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

In addition, as a condition to writing business in certain states, insurers are required to participate in various pools or risk sharing mechanisms or to accept certain classes of risk, regardless of whether such risks meet their underwriting requirements for voluntary business. Some states also limit or impose restrictions on the ability of an insurer to withdraw from certain classes of business. New York, among other states, imposes significant restrictions on a company's ability to materially reduce its exposures or to withdraw from certain lines of business. The state insurance departments can impose significant charges on an insurer in connection with a market withdrawal or refuse to approve withdrawal plans on the grounds that they could lead to market disruption. Laws and regulations that limit cancellation and non-renewal of policies or that subject withdrawal plans to prior approval requirements may significantly restrict our ability to exit unprofitable markets. Such actions and related regulatory restrictions may limit our ability to reduce our potential exposure to hurricane-related losses.

Our European insurance entities, Lemonade Insurance N.V., Lemonade Agency B.V. and Lemonade B.V., are subject to primary supervision by the Dutch Central Bank (De Nederlandsche Bank, "DNB") as the supervisory authority of its home member state, the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, "AFM"), and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin") as the supervisory authority of a host member state. DNB and AFM expect firms to avoid actions that jeopardize compliance with their statutory objectives and applicable rules and regulations and have extensive powers to intervene in the affairs of a regulated firm. When DNB is concerned that an insurer may present a risk, this may lead to negative consequences, including the requirement to maintain a higher level of regulatory capital (via capital "add-ons" under the Solvency II Directive) to match the higher perceived risks and enforcement action where the risks identified breach applicable rules and regulations. In the case of a breach of our license requirements or obligations arising from the applicable rules and regulations, we may be subject to the DNB and the AFM's sanctions, including (public) formal warnings, orders to adopt a certain course of conduct, incremental penalties and administrative fines, revocation of an undertaking license and, in the case of insurers, where the breach relates to material prudential shortcomings, emergency measures (including the appointment of an administrator or the imposition of measures aimed at winding-up the
undertaking). Any such events could adversely affect our business, results of operations or financial condition. See “Regulation — European Regulation.”

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

In the past decade, various state insurance regulators have increased their focus on risks within an insurer's holding company system that may pose enterprise risk to the insurer. In 2012, the NAIC adopted significant changes to the insurance holding company act and regulations (the “NAIC Amendments”). The NAIC Amendments, when adopted by the various states, are designed to respond to perceived gaps in the regulation of insurance holding company systems in the United States. One of the major changes is a requirement that an insurance holding company system's ultimate controlling person submit annually to its lead state insurance regulator an "enterprise risk report" that identifies activities, circumstances or events involving one or more affiliates of an insurer that, if not remedied properly, are likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. Other changes include requiring a controlling person to submit prior notice to its domiciliary insurance regulator of a divestiture of control, having detailed minimum requirements for cost sharing and management agreements between an insurer and its affiliates and expanding of the agreements between an insurer and its affiliates to be filed with its domiciliary insurance regulator. The NAIC Amendments must be adopted by the individual state legislatures and insurance regulators in order to be effective. New York State, our main domiciliary state for our insurance subsidiary, includes a form of the enterprise risk report requirement.

In 2012, the NAIC also adopted the Risk Management and Own Risk and Solvency Assessment Model Act (the "ORSA Model Act"). The ORSA Model Act, when adopted by the various states, will require an insurance holding company system's Chief Risk Officer to submit annually to its lead state insurance regulator an Own Risk and Solvency Assessment Summary Report ("ORSA"). The ORSA is a confidential internal assessment appropriate to the nature, scale and complexity of an insurer, conducted by that insurer of the material and relevant risks identified by the insurer associated with an insurer's current business plan and the sufficiency of capital resources to support those risks. The ORSA Model Act must be adopted by the individual state legislature and insurance regulators in order to be effective. While New York has not formally passed the ORSA requirement, it has implemented a form “F” filing requirement that is the initial response to the ORSA Model Act. We cannot predict the impact, if any, that the NAIC Amendments, compliance with the ORSA Model Act, or any other regulatory requirements may have on our business, financial condition or results of operations. See "Regulation.”

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

In response to the growing threat of cyber-attacks in the insurance industry, certain jurisdictions, including New York, have begun to consider new cybersecurity measures, including the adoption of cybersecurity regulations. In March 2017, the NYDFS promulgated Cybersecurity Requirements for Financial Services Companies, which requires covered financial institutions, including Lemonade Insurance Company, to establish and maintain a cybersecurity program and implement and maintain cybersecurity policies and procedures with specific requirements. Additionally, on October 24, 2017, the NAIC adopted its Insurance Data Security Model Law, intended to serve as model legislation for states to enact in order to govern cybersecurity and data protection practices of insurers, insurance agents, and other licensed entities registered under state insurance laws. Alabama, Connecticut, Delaware, Michigan, Mississippi, New Hampshire, Ohio, and
South Carolina have adopted versions of the NAIC Insurance Data Security Model Law, each with a different effective date, and other states may adopt versions of the NAIC Insurance Data Security Model Law in the future. Although we take steps to comply with financial industry cybersecurity regulations and believe we are materially compliant with their requirements, our failure to comply with new or existing cybersecurity regulations could result in regulatory actions and other penalties. In addition, efforts to comply with new or existing cybersecurity regulations could impose significant costs on our business, which could materially and adversely affect our business, financial condition or results of operations. See "Regulation — Enterprise Risk, Cybersecurity, and Other Recent Developments".

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

Our renters and homeowners insurance business is exposed to the risk of severe weather conditions and other catastrophes. Severe weather events include, but are not limited to, winter storms, rain, hail, and high winds. The incidence and severity of weather conditions are largely unpredictable. Catastrophes can be caused by various events, such as wildfires, tornadoes, tsunamis, hurricanes, tropical storms, earthquakes, windstorms, hailstorms, severe thunderstorms, fires, and other non-natural events such as explosions, riots, terrorism, or war.

The incidence and severity of severe weather conditions and catastrophes are inherently unpredictable and the occurrence of one catastrophe does not render the possibility of another catastrophe greater or lower. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. In particular, severe weather and other catastrophes could significantly increase our costs due to a surge in claims following such events and/or legal and regulatory changes in response to catastrophes that may impair our ability to limit our liability under our policies. Severe weather conditions and catastrophes can cause greater losses for us, which can cause our liquidity and financial condition to deteriorate. Resulting reductions in our capital could materially adversely affect our ability to underwrite new insurance policies. In addition, we may not be able to obtain reinsurance coverage at reasonable rates and in amounts adequate to mitigate the risks associated with severe weather conditions and other catastrophes. While we only work with reinsurers whom we believe have acceptable credit, if our reinsurers are unable to pay for the claims for which they are responsible, we could be exposed to additional liability, which could have a material adverse effect on our business and results of operations.

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

In addition, in December 2019, COVID-19 was reported to have surfaced in Wuhan, China and was subsequently recognized as a pandemic by the World Health Organization. Public and private sector policies and initiatives to reduce the transmission of COVID-19, such as the imposition of travel restrictions and the adoption of remote working, could impact our operations if our employees are unable to work effectively, including because of illness, quarantines, government actions, facility closures, or other restrictions. We continue to assess and update our business operations.
continuity plans in the context of this pandemic, including taking steps in an effort to help keep our employees healthy and safe. The spread of COVID-19 has caused us to modify our business practices (including employee travel, employee work locations in certain cases, and cancellation of physical participation in certain meetings, events, and conferences), and we expect to take further actions as may be required or recommended by government authorities or as we determine are in the best interests of our employees and customers. Furthermore, COVID-19 has impacted and may further impact the broader economies of affected countries, including negatively impacting economic growth, the proper functioning of financial and capital markets, foreign currency exchange rates, and interest rates. It is possible that the pandemic will cause an economic slowdown of potentially extended duration, and it is possible that it could cause a global recession. This could result in an increase in fraudulent claims or a decrease in apartment rentals or home sales, an increase in costs associated with claims under our policies, as well as an increase in the number of customers experiencing difficulty paying premiums, any of which could have a material adverse effect on our business and results of operations. Due to the speed with which the COVID-19 situation is developing, the global breadth of its spread and the range of governmental and community reactions thereto, there is uncertainty around its duration and ultimate impact; therefore, any negative impact on our overall financial and operating results cannot be reasonably estimated at this time.

We expect our results of operations to fluctuate on a quarterly and annual basis. In addition, our operating results and operating metrics are subject to seasonality and volatility, which could result in fluctuations in our quarterly revenues and operating results or in perceptions of our business prospects.

Our revenue and results of operations could vary significantly from period to period and may fail to match expectations as a result of a variety of factors, some of which are outside of our control. Our results may vary as a result of fluctuations in the number of customers purchasing our insurance products and fluctuations in the timing and amount of our expenses. In addition, the insurance industry, and particularly renters and homeowners insurance, are subject to their own cyclical trends and uncertainties, including extreme weather which is often seasonal and may result in volatility in claims reporting and payment patterns. Fluctuations and variability across the industry may affect our revenue. As a result of the potential variations in our revenue and results of operations, period-to-period comparisons may not be meaningful and the results of any one period should not be relied on as an indication of future performance. In addition, our results of operations may not meet the expectations of investors or public market analysts who follow us, which may adversely affect our stock price.

We have experienced in the past, and expect to continue to experience, seasonal fluctuations in our revenues and resulting fluctuations in our rate of growth as a result of insurance spending patterns. Specifically, our revenues may be proportionately higher in our third fiscal quarter due to the seasonality of when renters and homeowners move into new homes, which historically occurs in the months of July, August and September. Accordingly, the amount of growth we experience may also be greater in the third quarter. As our business expands and matures, other seasonality trends may develop and the existing seasonality and customer behavior that we experience may change. Volatility in our key operating metrics or their rates of growth could have a negative impact on our financial results and investor perceptions of our business prospects and a failure to achieve our quarterly forecasts or to meet or exceed the expectations of research analysts or investors will cause our stock price to decline.
We rely on data from our customers and third parties for pricing and underwriting our insurance policies, handling claims and maximizing automation, the unavailability or inaccuracy of which could limit the functionality of our products and disrupt our business.

We use data, technology and intellectual property licensed from unaffiliated third parties in certain of our products, including insurance industry proprietary information that we license from Insurance Services Office, Inc. ("ISO"), and we may license additional third-party technology and intellectual property in the future. Any errors or defects in this third-party technology and intellectual property could result in errors that could harm our brand and business. In addition, licensed technology and intellectual property may not continue to be available on commercially reasonable terms, or at all. Also, should ISO refuse to license its proprietary information to us on the same terms that it offers to our competitors, we could be placed at a significant competitive disadvantage.

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

Our results of operations and financial condition may be adversely affected due to limitations in the analytical models used to assess and predict our exposure to catastrophe losses.

Along with others in the insurance industry, models developed internally and by third party vendors are used along with our own historical data in assessing property insurance exposure to catastrophe losses. These models assume various conditions and probability scenarios; however, they do not necessarily accurately predict future losses or measure losses currently incurred. Further, the accuracy of such models may be negatively impacted by changing climate conditions. Catastrophe models use historical information and scientific research about natural events, such as hurricanes and earthquakes, as well as detailed information about our in-force business. This information is used in connection with pricing and risk management activities. However, since actual catastrophic events vary considerably, there are limitations with respect to its usefulness in predicting losses in any reporting period. Other limitations are evident in significant variations in estimates between models, material increases and decreases in results due to model changes and refinements of the underlying data elements and actual conditions that are not yet well understood or may not be properly incorporated into the models.

We are subject to payment processing risk.

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

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

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

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

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

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

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

We base our estimates on our assessment of known facts and circumstances, as well as estimates of future trends in claim severity, claim frequency, judicial theories of liability, and other factors. These variables are affected by both internal and external events that could increase our exposure to losses, including changes in actuarial projections, claims handling procedures, inflation, severe weather, climate change, economic and judicial trends and legislative changes. We regularly monitor reserves using new information on reported claims and a variety of statistical
techniques to update our current estimate. Our estimates could prove to be inadequate, and this underestimation could have a material adverse effect on our financial condition.

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

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

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

Our insurance subsidiary is subject to minimum capital and surplus requirements, and our failure to meet these requirements could subject us to regulatory action.

Our insurance subsidiary is subject to risk-based capital standards and other minimum capital and surplus requirements imposed under the laws of the State of New York. The risk-based capital standards, based upon the Risk-Based Capital Model Act adopted by the NAIC, require our insurance subsidiary to report its results of risk-based capital calculations to the NYDFS and the NAIC. These risk-based capital standards provide for different levels of regulatory attention depending upon the ratio of an insurance company's total adjusted capital, as calculated in accordance with NAIC guidelines, to its authorized control level risk-based capital. Authorized control level risk-based capital is determined using the NAIC's risk-based capital formula, which measures the minimum amount of capital that an insurance company needs to support its overall business operations.

An insurance company with total adjusted capital that is less than 200% of its authorized control level risk-based capital is at a company action level, which would require the insurance company to file a risk-based capital plan that, among other things, contains proposals of corrective actions the company intends to take that are reasonably expected to result in the elimination of the company action level event. Additional action level events occur when the insurer's total adjusted capital falls below 150%, 100%, and 70% of its authorized control level risk-based capital. The lower the percentage, the more severe the regulatory response, including, in the event of a mandatory control level event (total adjusted capital falls below 70% of the insurer's authorized control level
risk-based capital), placing the insurance company into receivership. As of December 31, 2019, our risk-based capital ratio was 354%.

In addition, our insurance subsidiary is required to maintain certain minimum capital and surplus and to limit its written premiums to specified multiples of its capital and surplus. The insurance subsidiary could exceed these ratios if its volume increases faster than anticipated or if its surplus declines due to catastrophe or non-catastrophe losses or excessive underwriting and operational expenses.

Any failure by our insurance subsidiary to meet the applicable risk-based capital or minimum statutory capital requirements or the writings ratio limitations imposed by the laws of the State of New York (or other states where currently or may in the future conduct business) could subject it to further examination or corrective action imposed by state regulators, including limitations on our writing of additional business, state supervision, or liquidation.

Any changes in existing risk-based capital requirements, minimum statutory capital requirements, or applicable writings ratios may require us to increase our statutory capital levels, which we may be unable to do. See "Regulation — Risk-Based Capital."

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

The insurance laws of many states subject property and casualty insurers doing business in those states to statutory property and casualty guaranty fund assessments. The purpose of a guaranty fund is to protect customers by requiring that solvent property and casualty insurers pay the insurance claims of insolvent insurers. These guaranty associations generally pay these claims by assessing solvent insurers proportionately based on each insurer's share of voluntary premiums written in the state. While most guaranty associations provide for recovery of assessments through subsequent rate increases, surcharges or premium tax credits, there is no assurance that insurers will ultimately recover these assessments, which could be material, particularly following a large catastrophe or in markets which become disrupted.

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

Our ability to compete in the property and casualty insurance industry and our ability to expand our business is partially dependent on us maintaining our Demotech, Inc. rating, and may be negatively affected by the fact that we do not have a rating from A.M. Best.

Our insurance subsidiary company currently has a Financial Stability Rating ("FSR") of 'A' Exceptional from Demotech, Inc., a financial analysis firm that provides FSRs as well as consulting services for property and casualty insurance companies and title underwriters. Demotech, Inc. provides financial stability ratings to insurance companies of all sizes. When providing a rating, Demotech, Inc. evaluates total assets, liabilities, revenues and expenses, working capital, administrative expenses, net income, surplus, receivables, amount of business written, industry focus and business model, among others. Below is Demotech, Inc.'s rating scale:

- **A" (A Double Prime), Unsurpassed**: 100% of insurers with this rating are expected to have a positive surplus at least 18 months from the initial date of rating assignment;
- **A' (A Prime), Unsurpassed**: 99% of insurers with this rating are expected to have a positive surplus at least 18 months from the initial date of rating assignment;
• A, Exceptional: 97% of insurers with this rating are expected to have a positive surplus at least 18 months from the initial date of rating assignment;

• S, Substantial: 95% of insurers with this rating are expected to have a positive surplus at least 18 months from the initial date of rating assignment;

• M, Moderate: 90% of insurers with this rating are expected to have a positive surplus at least 18 months from the initial date of rating assignment; and

• L, Licensed: These companies have been assessed but have not been given one of the financial strength ratings listed above.

While our Demotech, Inc. rating has proved satisfactory to date, we cannot assure that this rating will remain at its current level and it is possible that some prospective customers may be reluctant to do business with a company that is not rated by A.M. Best. We have never been reviewed by A.M. Best and do not currently intend to seek a rating from A.M. Best. Unlike Demotech, Inc., A.M. Best may penalize companies that are highly leveraged, including those companies that utilize reinsurance to support premium writings. We do not plan to give up revenues or efficiency of size as a means to qualify for an acceptable A.M. Best rating. Not having an A.M. Best rating may prevent us from expanding our business or limit our access to credit from certain financial institutions, which may in turn limit our ability to compete with large, national insurance companies and certain regional insurance companies.

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

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

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

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

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

Risks for all types of securities are managed through the application of our investment policy, which establishes investment parameters that include, but are not limited to, maximum percentages of investment in certain types of securities and minimum levels of credit quality, which we believe are within applicable guidelines established by the NAIC and the NYDFS.

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

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

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

**Risks Relating to Our Existence as a Public Benefit Corporation**

We operate as a Delaware public benefit corporation. As a public benefit corporation, we cannot provide any assurance that we will achieve our public benefit purpose.

As a public benefit corporation, we are required to produce a public benefit or benefits and to operate in a responsible and sustainable manner, balancing our stockholders’ pecuniary interests, the best interests of those materially affected by our conduct, and the public benefit or benefits identified by our Amended Charter. There is no assurance that we will achieve our public benefit purpose or that the expected positive impact from being a public benefit corporation will be realized, which could have a material adverse effect on our reputation, which in turn may have a material adverse effect on our business, results of operations and financial condition. See “Description of Capital Stock — Public Benefit Corporation Status.”

As a public benefit corporation, we are required to publicly disclose a report at least biennially on our overall public benefit performance and on our assessment of our success in achieving our specific public benefit purpose. If we are not timely or are unable to provide this report, or if the
If we lose our certification as a Certified B Corp or our publicly reported B Corp score declines, or if state or federal regulators restrict, delay or otherwise interfere with our ability to make charitable contributions, our reputation could be harmed and our business could be adversely affected.

Our business model and brand could be harmed if we were to lose our certification as a Certified B Corp or if state or federal regulators impede or otherwise delay or restrict our ability to make charitable contributions. Certified B Corp status is a certification that requires us to consider the impact of our decisions on our workers, customers, suppliers, community and the environment. We believe that Certified B Corp status has allowed us to build credibility and trust among our customers. Whether due to our choice or our failure to meet B Lab’s certification requirements, any change in our status could create a perception that we are more focused on financial performance and no longer as committed to the values shared by Certified B Corp. Likewise, our reputation could be harmed if our publicly reported B Corp score declines and there is a perception that we are no longer committed to the Certified B Corp standards. Similarly, our reputation could be harmed if we take actions that are perceived to be misaligned with B Lab’s values. See "Business — Certified B Corp Status."

Furthermore, state or federal regulators could restrict, delay, or otherwise interfere with our ability to contribute the residual amount left over after paying claims and reinsurance to nonprofits selected by our customers. This could erode customer trust in our products and services, weaken incentives for good customer behavior, and drive down demand for our products and services.

Any such harm to our reputation could have a material adverse effect on our business, financial position and results of operations.

As a public benefit corporation, our focus on a specific public benefit purpose and producing a positive effect for society may negatively impact our financial performance.

Unlike traditional corporations, which have a fiduciary duty to focus exclusively on maximizing stockholder value, our directors have a fiduciary duty to consider not only the stockholders’ interests, but also the company’s specific public benefit and the interests of other stakeholders affected by our actions. See "Description of Capital Stock — Public Benefit Corporation Status." Therefore, we may take actions that we believe will be in the best interests of those stakeholders materially affected by our specific benefit purpose, even if those actions do not maximize our financial results. While we intend for this public benefit designation and obligation to provide an overall net benefit to us and our customers, it could instead cause us to make decisions and take actions without seeking to maximize the income generated from our business, and hence available for distribution to our stockholders. Our pursuit of longer-term or non-pecuniary benefits may not materialize within the timeframe we expect or at all, yet may have an immediate negative effect on any amounts available for distribution to our stockholders. Accordingly, being a public benefit corporation and complying with our related obligations could have a material adverse effect on our business, results of operations and financial condition, which in turn could cause our stock price to decline.

As a public benefit corporation, we will be less attractive as a takeover target than a traditional company would be and, therefore, your ability to realize your investment through an acquisition may be limited. Under Delaware law, a public benefit corporation cannot merge or consolidate with another entity if, as a result of such merger or consolidation, the surviving entity’s charter "does not contain the identical provisions identifying the public benefit or public benefits," unless the
transaction receives approval from two-thirds of the target public benefit corporation's outstanding voting shares. Additionally, public benefit corporations may also not be attractive targets for activists or hedge fund investors because new directors would still have to consider and give appropriate weight to the public benefit along with shareholder value, and shareholders committed to the public benefit can enforce this through derivative suits. Further, by requiring that board of directors of public benefit corporations consider additional constituencies other than maximizing shareholder value, Delaware public benefit corporation law could potentially make it easier for a board to reject a hostile bid, even where the takeover would provide the greatest short-term financial yield to investors.

**Our directors have a fiduciary duty to consider not only our stockholders' interests, but also our specific public benefit and the interests of other stakeholders affected by our actions. If a conflict between such interests arises, there is no guarantee such a conflict would be resolved in favor of our stockholders.**

While directors of traditional corporations are required to make decisions they believe to be in the best interests of their stockholders, directors of a public benefit corporation have a fiduciary duty to consider not only the stockholders' interests, but also the company's specific public benefit and the interests of other stakeholders affected by the company's actions. Under Delaware law, directors are shielded from liability for breach of these obligations if they make informed and disinterested decisions that serve a rational purpose. Thus, unlike traditional corporations which must focus exclusively on stockholder value, our directors are not merely permitted, but obligated, to consider our specific public benefit and the interests of other stakeholders. See "Description of Capital Stock — Public Benefit Corporation Status." In the event of a conflict between the interests of our stockholders and the interests of our specific public benefit or our other stakeholders, our directors must only make informed and disinterested decisions that serve a rational purpose; thus, there is no guarantee such a conflict would be resolved in favor of our stockholders, which could have a material adverse effect on our business, results of operations and financial condition, which in turn could cause our stock price to decline.

**As a Delaware public benefit corporation, we may be subject to increased derivative litigation concerning our duty to balance stockholder and public benefit interest, the occurrence of which may have an adverse impact on our financial condition and results of operations.**

Stockholders of a Delaware public benefit corporation (if they, individually or collectively, own at least two percent of the company’s outstanding shares) are entitled to file a derivative lawsuit claiming the directors failed to balance stockholder and public benefit interests. This potential liability does not exist for traditional corporations. Therefore, we may be subject to the possibility of increased derivative litigation, which would require the attention our management, and, as a result, may adversely impact our management's ability to effective execute our strategy. Additionally, any such derivative litigation may be costly, which may have an adverse impact on our financial condition and results of operations.

**Risks Relating to Ownership of Our Common Stock**

*A joint investment committee consisting of our Co-Founders and an executive of SoftBank will have sole voting and dispositive control over the shares owned by the entities affiliated with SoftBank Group Corp. This joint investment committee further concentrates voting power with our Co-Founders, which could limit your ability to influence the outcome of important transactions, including a change in control.*

Following the closing of this offering, entities affiliated with SoftBank Group Corp. will beneficially own, in the aggregate, approximately % of our outstanding common stock,
assuming no exercise by the underwriters of their option to purchase additional shares, corresponding to % of the total voting rights in our Company. SoftBank Group Capital Limited has delegated all of its investment and voting power with respect to the shares of Lemonade that it owns to a three-member joint investment committee consisting of our Co-Founders and an executive of SoftBank, and which shall act unanimously. As a result, each of our Co-Founders will have an effective veto over the voting and dispositive decisions related to our shares held by SoftBank Group Capital Limited. Our Co-Founders’ membership in the joint investment committee will increase our Co-Founders’ significant influence over matters requiring stockholder approval, including the election of directors, the approval of certain business combinations or dispositions, amendments to our Amended Charter or to our Amended Bylaws, and other extraordinary transactions. In addition, a deadlock among the committee members could hinder the voting of SoftBank Group Capital Limited’s shares on any given corporate action. Our Co-Founders, individually or together, may have interests that differ from yours and may influence the joint investment committee to vote in a way with which you disagree and which may be adverse to your interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of our company, and might ultimately affect the market price of our common stock.

There is no existing market for our common stock, and we do not know if one will develop to provide you with adequate liquidity to sell our common stock at prices equal to or greater than the price you paid in this offering.

Prior to this offering, there has been no public market for our common stock. We cannot predict the extent to which investor interest in us will lead to the development of a trading market on the New York Stock Exchange (“NYSE”), or otherwise or how active and liquid that market may come to be. Although we have been authorized to list our common stock on the NYSE, if an active trading market does not develop or is not sustained following this offering, you may not be able to sell your shares quickly, or at all, or at or above the initial public offering price. The initial public offering price for our shares will be determined by negotiations between us and the representatives of the underwriters, and this price may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell our common stock at prices equal to or greater than the price you paid in this offering.

The market price of our common stock may be highly volatile, and you may not be able to resell your shares at or above the public offering price.

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

- the occurrence of severe weather conditions and other catastrophes;
- our operating and financial performance, quarterly or annual earnings relative to similar companies;
- publication of research reports or news stories about us, our competitors or our industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- the public’s reaction to our press releases, our other public announcements and our filings with the SEC;
announcements by us or our competitors of acquisitions, business plans or commercial relationships;

- any major change in our board of directors or senior management, including the departure of either of our Co-Founders;

- sales of our common stock by us, our directors, executive officers, principal shareholders, or our Co-Founders;

- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;

- short sales, hedging and other derivative transactions in our common stock;

- exposure to capital market risks related to changes in interest rates, realized investment losses, credit spreads, equity prices, foreign exchange rates and performance of insurance-linked investments;

- our creditworthiness, financial condition, performance, and prospects;

- our dividend policy and whether dividends on our common stock have been, and are likely to be, declared and paid from time to time;

- perceptions of the investment opportunity associated with our common stock relative to other investment alternatives;

- regulatory or legal developments;

- changes in general market, economic, and political conditions;

- conditions or trends in our industry, geographies or customers;

- changes in accounting standards, policies, guidance, interpretations or principles; and

- threatened or actual litigation or government investigations.

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

Investors purchasing common stock in this offering will experience immediate and substantial dilution as a result of this offering and any future equity issuances.

The initial public offering price of our common stock is substantially higher than the pro forma net tangible book value per share of our outstanding common stock (after giving effect to the Preferred Stock Conversion and the Settlement of Executive Promissory Notes) prior to completion of the offering. Accordingly, based on the initial public offering price of $ per share, if you purchase our common stock in this offering, you will pay substantially more for your shares than the amounts paid by our existing stockholders for their shares and you will suffer immediate dilution of approximately $ per share in pro forma as adjusted net tangible book value of our common stock. To the extent outstanding options are ultimately exercised, pursuant to the 2015 Plan or otherwise, there will be further dilution to investors in this offering. In addition, if the underwriters exercise their option to purchase additional shares, or if we issue additional equity
securities in the future, investors purchasing shares of common stock in this offering will experience additional dilution. See "Dilution."

We have broad discretion over the use of the net proceeds from this offering and it is possible that we will not use them effectively.

We cannot specify with any certainty the particular uses of the net proceeds that we will receive from this offering. Our management will have broad discretion in the application of the net proceeds from this offering, including for any of the purposes described in the section titled "Use of Proceeds," and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. The failure by our management to apply these proceeds effectively could adversely affect our business, results of operations and financial condition. Pending their use, we may invest our proceeds in a manner that does not produce income or that loses value. Our investments may not yield a favorable return to our investors and may negatively impact the price of our common stock.

A substantial portion of the outstanding shares of our common stock after this offering will be restricted from immediate resale, but may be sold on a stock exchange in the near future. The large number of shares eligible for public sale or subject to rights requiring us to register them for public sale could depress the market price of our common stock.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market after this offering, and the perception that these sales could occur may also depress the market price of our common stock. Based on 43,896,246 shares of our common stock (after giving effect to the Preferred Stock Conversion and the Settlement of Executive Promissory Notes) outstanding as of March 31, 2020, we will have shares of our common stock outstanding after this offering, assuming no exercise of the underwriters' option to purchase additional shares. Our executive officers, directors and the holders of substantially all of our capital stock and securities convertible into or exchangeable for our capital stock have entered into market standoff agreements with us or have entered, or will enter, into lock-up agreements with the underwriters under which they have agreed, or will agree, subject to specific exceptions, not to sell any of our stock for at least 180 days following the date of this prospectus. We refer to such period as the lock-up period. We and the underwriters may release certain stockholders from the market standoff agreements or lock-up agreements prior to the end of the lock-up period.

As a result of these agreements, and subject to the provisions of Rule 144, as promulgated under the Securities Act ("Rule 144") or Rule 701, as promulgated under the Securities Act ("Rule 701"), shares of our common stock will be available for sale in the public market as follows:

- beginning on the date of this prospectus, all shares of our common stock sold in this offering will be immediately available for sale in the public market; and
- beginning 181 days after the date of this prospectus (subject to the terms of the lock-up agreements and market standoff agreements described above), the remainder of the shares of our common stock will be eligible for sale in the public market from time to time thereafter, subject in some cases to the volume and other restrictions of Rule 144, including the availability of current public information about us.

Sales of our common stock as restrictions end or pursuant to the exercise of registration rights held by certain of our stockholders may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales could also cause the trading
price of our common stock to fall and make it more difficult for you to sell shares of our common stock. See "Shares Eligible for Future Sale."

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our markets, or if they adversely change their recommendations or publish negative reports regarding our business or our stock, our stock price and trading volume could materially decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our markets, or our competitors. We do not currently have research coverage by industry or securities analysts and we cannot provide any assurance that analysts will cover us or provide favorable coverage. If any of the analysts who may cover us adversely change their recommendation regarding our stock, or provide more favorable relative recommendations about our competitors, our stock price could materially decline. If any analyst who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to materially decline.

Some provisions of our charter documents and Delaware law may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders, and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our Amended Charter and our Amended Bylaws, as well as provisions of the Delaware General Corporation Law (the "DGCL"), could make it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our stockholders, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions include:

• our board of directors is classified into three classes of directors with staggered three-year terms and directors are only able to be removed from office for cause;
• nothing in our Amended Charter precludes future issuances without stockholder approval of the authorized but unissued shares of our common stock;
• advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders;
• our stockholders will only be able to take action at a meeting of stockholders and not by written consent;
• only our chairman of the board of directors, our chief executive officer, our president (in the absence of a chief executive officer), or a majority of the board of directors are authorized to call a special meeting of stockholders;
• no provision in our Amended Charter or Amended Bylaws provides for cumulative voting, which limits the ability of minority stockholders to elect director candidates;
• directors will only be able to be removed for cause;
• certain amendments to our Amended Charter will require the approval of two-thirds of the then outstanding voting power of our capital stock;
• our Amended Bylaws will provide that the affirmative vote of two-thirds of the then-outstanding voting power of our capital stock, voting as a single class, is required for stockholders to amend or adopt any provision of our bylaws;
our Amended Charter authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued, without the approval of the holders of our capital stock; and

• certain litigation against us can only be brought in Delaware.

We will be governed by the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

• the business combination or transaction which resulted in the stockholder becoming an interested stockholder was approved by the board of directors prior to the time that the stockholder became an interested stockholder;

• upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by directors who are also officers of the corporation and shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

• at or subsequent to the time the stockholder became an interested stockholder, the business combination was approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

These anti-takeover defenses could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and cause us to take corporate actions other than those you desire. See "Description of Capital Stock."

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

Under applicable state insurance laws and regulations, no person may acquire control of a domestic insurer until written approval is obtained from the state insurance commissioner following a public hearing on the proposed acquisition. Such approval would be contingent upon the state insurance commissioner's consideration of a number of factors including, among others, the financial strength of the proposed acquiror, the acquiror's plans for the future operations of the domestic insurer and any anti-competitive results that may arise from the consummation of the acquisition of control. Lemonade Insurance Company is domiciled in New York and per the applicable laws and regulations of New York, generally no person may acquire control of any insurer, whether by purchase of its securities or otherwise, unless it gives prior notice to the insurer and has received prior approval from the Commissioner of Financial Services. Under New York insurance law, an entity is presumed to have control of an insurance company if it owns, directly or indirectly, 10% or more of the voting stock of that insurance company or its parent company. These requirements may discourage potential acquisition proposals and may delay, deter, or prevent a change of control of Lemonade, Inc., including through transactions that some or all of the stockholders might consider to be desirable. See also "Regulation — Changes of Control."
Our Amended Charter designates the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us.

Our Amended Charter provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed to us or our stockholders by any of our directors, officers, employees or agents, (iii) any action asserting a claim against us arising under the DGCL or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine; provided that, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Securities Act or the Exchange Act, or to any claim for which the federal courts have exclusive jurisdiction. By becoming a stockholder in our company, you will be deemed to have noticed of and have consented to the provisions of our Amended Charter related to choice of forum. The choice of forum provision in our Amended Charter may limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us.

Taking advantage of the reduced disclosure requirements applicable to "emerging growth companies" may make our common stock less attractive to investors.

The JOBS Act provides that, so long as a company qualifies as an "emerging growth company," it will, among other things:

• be required to have only two years of audited financial statements and only two years of related selected financial data and Management's Discussion and Analysis of Financial Condition and Results of Operations disclosure;

• be exempt from the requirement that critical audit matters be discussed in its independent auditor's reports on its audited financial statements or any other requirements that may be adopted by the PCAOB unless the SEC determines that the application of such requirements to emerging growth companies is in the public interest;

• be exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that its independent registered public accounting firm provide an attestation report on the effectiveness of its internal control over financial reporting;

• be exempt from the "say on pay," "say on frequency," and "say on golden parachute" advisory vote requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"); and

• be exempt from certain disclosure requirements of the Dodd-Frank Act relating to compensation of its executive officers and be permitted to omit the detailed compensation discussion and analysis from proxy statements and reports filed under the Exchange Act.

We currently intend to take advantage of each of the exemptions described above. Further, pursuant to Section 107 of the JOBS Act, as an emerging growth company, we have elected to take advantage of the extended transition period for complying with new or revised accounting standards until those standards would otherwise apply to private companies. As a result, our operating results and financial statements may not be comparable to the operating results and financial statements of other companies who have adopted the new or revised accounting standards. It is possible that some investors will find our common stock less attractive as a result, which may result in a less active trading market for our common stock and higher volatility in our stock price. We could be an emerging growth company for up to five years after this offering. We cannot predict if investors will find our common stock less attractive if we elect to rely on these
exemptions, or if taking advantage of these exemptions would result in less active trading or more volatility in the price of our common stock.

Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

We are not currently required to comply with the rules of the SEC implementing Section 404 of the Sarbanes-Oxley Act and are, therefore, not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. Upon becoming a public company, we will be required to comply with the SEC’s rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which will require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. Although we will be required to disclose changes made in our internal controls and procedures on a quarterly basis, we will not be required to make our first annual assessment of our internal control over financial reporting pursuant to Section 404 until the year following our first annual report required to be filed with the SEC. As an emerging growth company, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until the later of (i) the year following our first annual report required to be filed with the SEC or (ii) the date we are no longer an emerging growth company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating.

As a private company, we do not currently have any internal audit function. To comply with the requirements of being a public company, we have undertaken various actions, and will need to take additional actions, such as implementing numerous internal controls and procedures and hiring additional accounting or internal audit staff or consultants. Testing and maintaining internal control can divert our management’s attention from other matters that are important to the operation of our business. Additionally, when evaluating our internal control over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404. If we identify any material weaknesses in our internal control over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting once we are no longer an emerging growth company, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected. We could also become subject to investigations by the SEC, the stock exchange on which our securities are listed or other regulatory authorities, which could require additional financial and management resources. In addition, if we fail to remedy any material weakness, our financial statements could be inaccurate and we could face restricted access to capital markets.

We depend on the ability of our subsidiaries to transfer funds to us to meet our obligations, and our insurance subsidiary’s ability to pay dividends to us is restricted by law.

We are a holding company that transacts a majority of our business through operating subsidiaries. Our ability to meet our operating and financing cash needs depends on the surplus and earnings of our subsidiaries, and upon the ability of our insurance subsidiary to pay dividends to us.

Payments of dividends by our insurance subsidiary is restricted by state insurance laws, including laws establishing minimum solvency and liquidity thresholds. The limitations are based on income and surplus determined in accordance with statutory accounting principles, not GAAP. In
addition, our insurance subsidiary could be subject to contractual restrictions in the future, including those imposed by indebtedness we may incur in the future. Our insurance subsidiary may also face competitive pressures in the future to maintain insurance financial stability or strength ratings. These restrictions and other regulatory requirements would affect the ability of our insurance subsidiary to make dividend payments and we may not receive dividends in the amounts necessary to meet our obligations. See "Regulation — Restrictions on Paying Dividends."

**We do not currently expect to pay any cash dividends.**

We do not currently expect to pay any cash dividends on our common stock for the foreseeable future. Instead, we intend to retain future earnings, if any, for the future operation and expansion of our business. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend on our results of operations (including our ability to generate cash flow in excess of expenses and our expected or actual net income), liquidity, cash requirements, financial condition, retained earnings and collateral and capital requirements, general business conditions, contractual restrictions, legal, tax and regulatory limitations, the effect of a dividend or dividends upon our financial strength ratings, and other factors that our board of directors deems relevant. See "Dividend Policy."

Because we are a holding company and all of our business is conducted through our subsidiaries, dividends, distributions and other payments from, and cash generated by, our subsidiaries will be our principal sources of cash to fund operations and pay dividends. Accordingly, our ability to pay dividends to our stockholders is dependent on the earnings and distributions of funds from our subsidiaries. Our ability to pay dividends may also be restricted by the terms of any future credit agreement or any of our future debt or preferred equity securities or our subsidiaries. Accordingly, if you purchase shares of our common stock in this offering, realization of a gain on your investment will depend on the appreciation of the price of shares of our common stock, which may never occur. Investors seeking cash dividends in the foreseeable future should not purchase our common stock.

**The requirements of being a public company, including compliance with the reporting requirements of the Exchange Act, the requirements of the Sarbanes-Oxley Act and the listing standards of NYSE, may strain our resources, increase our costs, and divert management’s attention, and we may be unable to comply with these requirements in a timely or cost-effective manner. In addition, key members of our management team have limited experience managing a public company.**

As a public company, we will be subject to the reporting requirements of the Exchange Act, the requirements of the Sarbanes-Oxley Act, and the listing standards of the NYSE. These requirements will place a strain on our management, systems and resources and we will incur significant legal, accounting, insurance and other expenses that we have not incurred as a private company. The Exchange Act will require us to file annual, quarterly and current reports with respect to our business and financial condition within specified time periods and to prepare a proxy statement with respect to our annual meeting of stockholders. The Sarbanes-Oxley Act will require that we maintain effective disclosure controls and procedures, and internal controls over financial reporting. The NYSE will require that we comply with various corporate governance requirements. To maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, and comply with the Exchange Act and NYSE requirements, significant resources and management oversight will be required. This may divert management’s attention from other business concerns and lead to significant costs associated with compliance, which could have a material adverse effect on us and the price of our common stock.
We expect these reporting and corporate governance rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. These laws and regulations could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors or its committees or as our executive officers. Advocacy efforts by stockholders and third parties may also prompt even more changes in governance and reporting requirements. We cannot predict or estimate the amount of additional costs we may incur or the timing of these costs. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action, and potentially civil litigation.

Many members of our management team have limited experience managing a publicly traded company, interacting with public company investors and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, results of operations and financial condition.
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. You can generally identify forward-looking statements by our use of forward-looking terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "projection," "seek," "should," "will" or "would," or the negative thereof or other variations thereon or comparable terminology. In particular, statements about the markets in which we operate, including growth of our various markets, and our expectations, beliefs, plans, strategies, objectives, prospects, assumptions, or future events or performance contained in this prospectus under the headings "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" are forward-looking statements.

We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond our control. These and other important factors, including those discussed in this prospectus under the headings "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements, or could affect our share price. The statements we make regarding the following matters are forward-looking by their nature:

- our ability to attract, retain, and expand our customer base;
- our ability to operate under and maintain our business model;
- our ability to maintain and enhance our brand and reputation;
- our future financial performance, including operating revenue, adjusted EBITDA, gross loss ratio, net loss ratio, and expense ratio;
- our ability to effectively manage the growth of our business;
- the effects of seasonal trends on our results of operation;
- our ability to attain greater value from each customer;
- our ability to compete effectively in our industry;
- future performance of the markets in which we operate;
- our ability to maintain reinsurance contracts;
- our ability to utilize our proprietary artificial intelligence algorithms;
- our ability to underwrite risks accurately and charge profitable rates;
- our ability to protect our intellectual property;
- our domestic and international expansion strategy and ability to expand domestically and internationally;
- our ability to expand our product offerings or improve existing ones;
- our ability to attract and retain personnel;
- potential harm caused by misappropriation of our data and compromises in cybersecurity;
- potential harm caused by changes in internet search engines' methodologies;
• our ability to raise additional capital;

• our lack of operating history and ability to attain profitability;

• fluctuations in our results of operation and operating metrics;

• our ability to receive, process, store, use and share data, and compliance with laws and regulations related to data privacy and data security;

• our ability to stay in compliance with laws and regulation that currently apply, or become applicable, to our business both in the United States and internationally;

• our inability to predict the lasting impacts of COVID-19 to our business in particular, and the global economy generally; and

• our expected uses of the net proceeds from this offering.

Given the risks and uncertainties set forth in this prospectus, you are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements contained in this prospectus are not guarantees of future performance and our actual results of operations, financial condition, and liquidity, and the development of the industry in which we operate, may differ materially from the forward-looking statements contained in this prospectus. In addition, even if our results of operations, financial condition and liquidity, and events in the industry in which we operate, are consistent with the forward-looking statements contained in this prospectus, they may not be predictive of results or developments in future periods.

Any forward-looking statement that we make in this prospectus speaks only as of the date of such statement. Except as required by law, we do not undertake any obligation to update or revise, or to publicly announce any update or revision to, any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this prospectus.
MARKET AND INDUSTRY DATA

This prospectus includes estimates regarding market and industry data. Unless otherwise indicated, information concerning our industry and the markets in which we operate, including our general expectations, market position, market opportunity and market size, are based on our management's knowledge and experience in the markets in which we operate, together with currently available information obtained from various sources, including publicly available information, industry reports and publications, surveys, our customers, trade and business organizations, and other contacts in the markets in which we operate. Certain information is based on management estimates, which have been derived from third-party sources, as well as data from our internal research, and are based on certain assumptions that we believe to be reasonable.

In presenting this information, we have made certain assumptions that we believe to be reasonable based on such data and other similar sources and on our knowledge of, and our experience to date in, the markets in which we operate. While we believe the estimated market and industry data included in this prospectus are generally reliable, such information, which is derived in part from management's estimates and beliefs, is inherently uncertain and imprecise, and you are cautioned not to give undue weight to such estimates. Market and industry data are subject to change and may be limited by the availability of raw data, the voluntary nature of the data gathering process and other limitations inherent in any statistical survey of such data. In addition, projections, assumptions and estimates of the future performance of the markets in which we operate are necessarily subject to uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements." These and other factors could cause results to differ materially from those expressed in the estimates made by third parties and by us. Accordingly, you are cautioned not to place undue reliance on such market and industry data or any other such estimates. The content of, or accessibility through, the sources and websites identified herein, except to the extent specifically set forth in this prospectus, does not constitute a portion of this prospectus and is not incorporated herein and any websites are an inactive textual reference only.

Google Survey Data

Estimates of our relative market share among first time renters, included in this prospectus are derived from data we collected using a Google Survey that we conducted from August 20, 2019 to August 23, 2019. Google Surveys source a random sampling of two sets of internet users: website users reading content on a network of web publisher sites and smartphone users who have downloaded and signed up to use an Android app. Survey respondents on publisher sites are motivated to answer surveys to gain access to the site's content and survey respondents on the mobile app are incentivized to answer surveys to earn app store credits. Our Google Survey drew from the former set of respondents.

We designed our Google Survey in accordance with what we believe are best practices for conducting a survey. In particular, we asked clear, binary questions and provided a broad range of choices, including a "prefer not to disclose" option in order to lower the risk of untruthful or inaccurate answers. We carefully considered the demographic composition of the sample population and determined it was unlikely that our survey population would be skewed towards a particular age or gender such that it affected the results' applicability to our insurance markets. We believe that we made reasonable assumptions in designing our Google Survey.
Notwithstanding the above, there are a number of risks associated with information collected via Google Surveys, including but not limited to the following:

• We are not experts in administering surveys, including phrasing survey questions and determining sample groups and sizes, which can lead to flawed and biased survey responses;

• Google Surveys do not use a true probability sampling method, and its sampling frame is not of the general public, which can lead to sample bias toward heavy internet users who are generally younger, have higher household incomes and live in more urban or suburban areas. Additionally, the demographic and geographic spread of our Google Surveys do not correspond fully to the demographics or geographic distribution of relevant insurance markets;

• The demographic targeting used in selecting respondents is based on inferred information through a respondent's IP address and types of websites he or she visits as recorded in their DoubleClick advertising cookie, which can influence the sampling and weighting process. The algorithm is not able to infer demographic information from all respondents;

• Only a limited number of questions can be administered to the same respondent and there are restrictions on how many characters a question can contain, which can affect how respondents interpret the questions. We asked two questions in our Google Survey;

• Respondents on publisher sites are intercepted while trying to view content online, which can lead to inattentive or untruthful responses;

• The data captured through the Google Survey represents information gathered at a specific point in time and with the passage of time, such data may be unreliable due to a number of factors such as changes in economic and political conditions, customer behavior, uncertainties created amid the COVID-19 pandemic, among other things, as well as due to the evolving and dynamic nature of our business; and

• Because of the limited number of possible answer choices in our Google Survey, our answer choices included only two national market leaders, Allstate and State Farm. We made what we believe to be a reasonable assumption, based on public data of Allstate and State Farm being leading property and casualty carriers and management's experience and expertise in the insurance industry, that Allstate and State Farm are also renters insurance market leaders in the State of New York.

If our approach to collecting data for the market share metric via our Google Survey proves to be flawed as a result of any or all of the limitations stated above, management's business decisions and strategic planning would be based, in part, on an imprecise measure. As a result, our ability to meet business objectives, as well as our results of operations and financial condition, could be adversely affected. See "Risk Factors — Risks Relating to Our Business — The market share metric included in this prospectus, which is one of the underlying factors we use to assess and evaluate our business, is based on Google Surveys, which are subject to a number of limitations."
USE OF PROCEEDS

We estimate that the net proceeds to us from this offering will be approximately $\_\_\_\_\_\_ million, based on the assumed initial public offering price of $\_\_\_\_\_\_ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise in full their option to purchase additional shares, we estimate that we will receive additional net proceeds of approximately $\_\_\_\_\_\_ million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Each $1.00 increase or decrease in the assumed initial public offering price of $\_\_\_\_\_\_ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the net proceeds that we receive from this offering by approximately $\_\_\_\_\_\_ million, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions payable by us. Similarly, each increase or decrease of 1.0 million in the number of shares of our common stock offered by us would increase or decrease, as applicable, the net proceeds that we receive from this offering by approximately $\_\_\_\_\_\_ million, assuming the assumed initial public offering price remains the same and after deducting the estimated underwriting discounts and commissions payable by us.

The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock and enable access to the public equity markets for us and our stockholders. We intend to use the net proceeds from this offering for general corporate purposes, including working capital, operating expenses, and capital expenditures. Additionally, we may use a portion of the net proceeds to acquire or invest in businesses, products, services, or technologies. However, we do not have agreements or commitments for any material acquisitions or investments at this time.

We cannot specify with certainty the particular uses of the net proceeds that we will receive from this offering or the amounts we actually spend on the uses set forth above. Pending the use of proceeds from this offering as described above, we plan to invest the net proceeds that we receive in this offering in short-term and intermediate-term interest-bearing obligations, investment-grade investments, certificates of deposit or direct or guaranteed obligations of the U.S. government. Our management will have broad discretion in the application of the net proceeds from this offering and investors will be relying on the judgment of our management regarding the application of the proceeds.
DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions, and other factors that our board of directors may deem relevant.

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

Our ability to pay dividends may also be restricted by the terms of any future credit agreement or any future debt or preferred equity securities of us or our subsidiaries. See "Risk Factors — Risks Relating to Ownership of Our Common Stock — We do not currently expect to pay any cash dividends."
The following table sets forth our cash, cash equivalents and restricted cash and total capitalization as of March 31, 2020:

- on an actual basis;

- on a pro forma basis, giving effect to (i) the filing and effectiveness of our Amended Charter in Delaware that will become effective in connection with the completion of this offering, (ii) the Preferred Stock Conversion, and (iii) the Settlement of Executive Promissory Notes, as if the Preferred Stock Conversion and the Settlement of Executive Promissory Notes had occurred on March 31, 2020; and

- on a pro forma as adjusted basis, giving effect to the pro forma adjustments set forth above and the receipt of the estimated net proceeds from our sale and issuance by us of shares of our common stock in this offering, based upon the assumed initial public offering price of per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions, and estimated offering expenses payable by us.

The pro forma as adjusted information set forth in the table below is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table together with our consolidated financial statements and related notes, and the sections titled "Selected Historical Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" that are included elsewhere in this prospectus.

<table>
<thead>
<tr>
<th>As of March 31, 2020</th>
<th>Actual</th>
<th>Pro Forma Adjusted(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash, cash equivalents and restricted cash</strong></td>
<td>$274.2</td>
<td>$275.5</td>
</tr>
<tr>
<td><strong>Redeemable convertible preferred stock, $0.00001 par value; 31,557,107 shares authorized; 31,557,107 shares issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted</strong></td>
<td>480.2</td>
<td>—</td>
</tr>
<tr>
<td><strong>Stockholders' deficit:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred stock, $0.00001 par value; no shares authorized, issued and outstanding, actual; no shares authorized and no shares issued and outstanding, pro forma and pro forma as adjusted</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock, $0.00001 par value, 52,000,000 shares authorized; 12,339,139 shares issued and 11,825,602 shares outstanding, actual; shares authorized, 43,896,246 shares issued and outstanding, pro forma; and shares authorized; shares issued and outstanding, pro forma as adjusted</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Additional paid-in capital</strong></td>
<td>30.1</td>
<td>511.6</td>
</tr>
<tr>
<td><strong>Accumulated deficit</strong></td>
<td>(234.8)</td>
<td>(234.8)</td>
</tr>
<tr>
<td><strong>Accumulated other comprehensive loss</strong></td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total stockholders' equity (deficit)</strong></td>
<td>(204.6)</td>
<td>276.9</td>
</tr>
<tr>
<td><strong>Total capitalization</strong></td>
<td>$275.6</td>
<td>$276.9</td>
</tr>
</tbody>
</table>

(1) Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share of common stock, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease)
each of cash and cash equivalents, additional paid-in-capital, total stockholders’ equity and total capitalization on a pro forma as adjusted basis by approximately $, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Each increase (decrease) of 1.0 million shares in the number of shares of common stock sold in this offering, as set forth on the cover page of this prospectus, would increase (decrease) each of cash and cash equivalents, additional paid-in-capital, total stockholders’ equity, and total capitalization on a pro forma as adjusted basis by approximately $, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions, and estimated offering expenses payable by us.

If the underwriters’ option to purchase additional shares of our common stock from us were exercised in full, pro forma as adjusted cash and cash equivalents, additional paid-in-capital, total stockholders’ equity, total capitalization, and shares outstanding as of , 2020 would be $, $, $, $, and $, respectively.

The pro forma and pro forma as adjusted columns in the table above are based on 43,896,246 shares of our common stock (after giving effect to the Preferred Stock Conversion and the Settlement of Executive Promissory Notes) outstanding as of March 31, 2020, and excludes the following:

- 4,349,270 shares of common stock issuable upon the exercise of options outstanding under our 2015 Incentive Share Option Plan (the “2015 Plan”) as of March 31, 2020, at a weighted average exercise price of $14.40 per share; and

- shares of common stock reserved for future issuance under our 2020 Incentive Award Plan (the “2020 Plan”).
DILUTION

If you invest in our common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering. Dilution in pro forma as adjusted net tangible book value per share to new investors represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the pro forma as adjusted net tangible book value per share of our common stock immediately after completion of this offering.

Net tangible book value per share is determined by dividing our total tangible assets less our total liabilities and redeemable convertible preferred stock by the number of shares of our common stock outstanding. Our historical net tangible book value (deficit) as of March 31, 2020, was approximately $(205.0) million, or $(17.34) per share. Our pro forma net tangible book value as of March 31, 2020 was $276.5 million, or $6.30 per share, based on the total number of shares of our common stock outstanding as of March 31, 2020, after giving effect to the Preferred Stock Conversion and the Settlement of Executive Promissory Notes, as if such conversion and settlement occurred on March 31, 2020.

After giving effect to the sale by us of \( \text{shares} \) of our common stock in this offering at the assumed initial public offering price of $\( \text{per share} \), which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions, and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of 2020, would have been $\( \text{mill} \), or $\( \text{per share} \). This represents an immediate increase in pro forma as adjusted net tangible book value of $\( \text{per share} \) to our existing stockholders and an immediate dilution in pro forma as adjusted net tangible book value of $\( \text{per share} \) to investors purchasing shares of our common stock in this offering. The following table illustrates this dilution:

<table>
<thead>
<tr>
<th>Assumption/Adjustment</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assumed initial public offering price per share</td>
<td>$ ( \text{per share} )</td>
</tr>
<tr>
<td>Historical net tangible book value (deficit) per share as of March 31, 2020</td>
<td>$(17.34)</td>
</tr>
<tr>
<td>Increase per share attributable to the pro forma adjustments described above</td>
<td>23.64</td>
</tr>
<tr>
<td>Pro forma net tangible book value per share as of March 31, 2020</td>
<td>6.30</td>
</tr>
<tr>
<td>Increase per share attributable to new investors purchasing shares of common stock in this offering</td>
<td></td>
</tr>
<tr>
<td>Pro forma as adjusted net tangible book value per share immediately after this offering</td>
<td></td>
</tr>
<tr>
<td>Dilution in pro forma as adjusted net tangible book value per share to new common stock investors in this offering</td>
<td>$ ( \text{per share} )</td>
</tr>
</tbody>
</table>

Each $1.00 increase (decrease) in the assumed initial offering price of $\( \text{per share} \), which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value after this offering by approximately $\( \text{mill} \), or $\( \text{per share} \), and would increase (decrease) the dilution per share to new investors purchasing our common stock in this offering by $\( \text{per share} \), assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions, and estimated offering expenses payable by us. Each increase (decrease) of 1.0 million shares in the number of shares sold in this offering, as set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value after this offering by approximately $\( \text{mill} \), or $\( \text{per share} \), and would increase (decrease) the dilution per share to new investors by $\( \text{per share} \), assuming that the assumed initial public offering...
price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions, and estimated offering expenses payable by us.

The following table presents, on a pro forma basis as of , 2020, after giving effect to (i) the Preferred Stock Conversion and (ii) the sale by us of shares of our common stock in this offering at the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, the difference between the existing stockholders and the investors purchasing shares of our common stock in this offering with respect to the number of shares of our common stock purchased from us, the total consideration paid or to be paid to us, and the average price per share paid or to be paid to us, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us:

<table>
<thead>
<tr>
<th>Shares Purchased</th>
<th>Total Consideration</th>
<th>Average Price Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>Amount ($ in millions)</td>
<td>Percent</td>
</tr>
<tr>
<td>Existing stockholders</td>
<td>$</td>
<td>%</td>
</tr>
<tr>
<td>New investors</td>
<td>$</td>
<td>%</td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
<td>%</td>
</tr>
</tbody>
</table>

Each $1.00 increase (decrease) in the assumed initial offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the total consideration paid by new investors, total consideration paid by all stockholders and average price per share paid by all stockholders by $, $, and $ per share, respectively, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions, and estimated offering expenses payable by us. Each increase (decrease) of 1.0 million shares in the number of shares sold in this offering, as set forth on the cover page of this prospectus, would increase (decrease) the total consideration paid by new investors, total consideration paid by all stockholders and average price per share paid by all stockholders by $, $, and $ per share, respectively, assuming that the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise in full their option to purchase additional shares of our common stock in this offering, the pro forma as adjusted net tangible book value (deficit) per share after this offering would be $ per share and the dilution to new investors in this offering would be $ per share. If the underwriters exercise such option in full, the number of shares held by new investors will increase to approximately shares of our common stock, or approximately % of the total number of shares of our common stock outstanding after this offering.

The number of shares of our common stock that will be outstanding after this offering is based on 43,896,246 shares of our common stock (after giving effect to the Preferred Stock Conversion and the Settlement of Executive Promissory Notes) outstanding as of as of March 31, 2020, and excludes the following:

- 4,349,270 shares of common stock issuable upon the exercise of options outstanding under our 2015 Incentive Share Option Plan (the "2015 Plan") as of March 31, 2020, at a weighted average exercise price of $14.40 per share; and
shares of common stock reserved for future issuance under our 2020 Incentive Award Plan (the "2020 Plan").

To the extent any options are granted and exercised in the future, there may be additional economic dilution to new investors.

In addition, we may choose to raise additional capital due to market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans. To the extent that we raise additional capital through the sale of equity, as common stock, or other securities that are convertible into our common stock, such as convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.
SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables present our selected historical consolidated financial and other data. We have derived the selected historical consolidated statements of operations data for the years ended December 31, 2018 and 2019 and the consolidated balance sheet data as of December 31, 2018 and 2019 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the selected historical consolidated statements of operations data for the three months ended March 31, 2019 and 2020, and the consolidated balance sheet data as of March 31, 2020 from our unaudited consolidated financial statements included elsewhere in this prospectus.

Our historical results are not necessarily indicative of the results that may be expected in the future, and our consolidated results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results that may be expected for the full fiscal year or any other period. The following selected historical consolidated financial and other data should be read in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Three Months Ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td><strong>Consolidated Statements of Operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earned premium</td>
<td>$21.2</td>
<td>$63.8</td>
</tr>
<tr>
<td>Net investment income</td>
<td>1.3</td>
<td>3.4</td>
</tr>
<tr>
<td>Commission income</td>
<td>—</td>
<td>0.1</td>
</tr>
<tr>
<td>Total revenue</td>
<td>22.5</td>
<td>67.3</td>
</tr>
<tr>
<td>Expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss and loss adjustment expense, net</td>
<td>15.2</td>
<td>45.8</td>
</tr>
<tr>
<td>Other insurance expense</td>
<td>4.2</td>
<td>9.6</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>41.9</td>
<td>89.1</td>
</tr>
<tr>
<td>Technology development</td>
<td>4.7</td>
<td>9.8</td>
</tr>
<tr>
<td>General and administrative</td>
<td>9.1</td>
<td>20.9</td>
</tr>
<tr>
<td>Total expense</td>
<td>75.1</td>
<td>175.2</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(52.6)</td>
<td>(107.9)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>0.3</td>
<td>0.6</td>
</tr>
<tr>
<td>Net loss</td>
<td>(52.9)</td>
<td>(108.5)</td>
</tr>
<tr>
<td>Per Share Data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss per share attributable to common stockholders — basic and diluted</td>
<td>(4.84)</td>
<td>(9.75)</td>
</tr>
<tr>
<td>Weighted average common shares outstanding — basic and diluted</td>
<td>10,931,776</td>
<td>11,124,397</td>
</tr>
<tr>
<td>Pro forma net loss per share attributable to common stockholders — basic and diluted (unaudited)</td>
<td>(2.77)</td>
<td>$ (0.84)</td>
</tr>
<tr>
<td>Pro forma weighted average common shares outstanding — basic and diluted (unaudited)</td>
<td>39,206,116</td>
<td>43,612,686</td>
</tr>
<tr>
<td>Consolidated Balance Sheet Data</td>
<td>As of December 31, 2018</td>
<td>As of March 31, 2019</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>-------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Total investments</td>
<td>$ 9.2</td>
<td>$ 60.6</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash</td>
<td>102.4</td>
<td>270.3</td>
</tr>
<tr>
<td>Total assets</td>
<td>153.8</td>
<td>414.3</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>52.1</td>
<td>116.6</td>
</tr>
<tr>
<td>Convertible preferred stock</td>
<td>180.8</td>
<td>480.2</td>
</tr>
<tr>
<td>Total stockholders' deficit</td>
<td>(79.1)</td>
<td>(182.5)</td>
</tr>
</tbody>
</table>

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Our Business

Lemonade is rebuilding insurance from the ground up on a digital substrate and an innovative business model. By leveraging technology, data, artificial intelligence, contemporary design, and behavioral economics, we believe we are making insurance more delightful, more affordable, more precise, and more socially impactful. To that end, we have built a vertically-integrated company with wholly-owned insurance carriers in the United States and Europe, and the full technology stack to power them.

A two minute chat with our bot, AI Maya, is all it takes to get covered with renters or homeowners insurance, and we expect to offer a similar experience for other insurance products over time. Claims are filed by chatting to another bot, AI Jim, who pays claims in as little as three seconds. This breezy experience belies the extraordinary technology that enables it: a state-of-the-art platform that spans marketing to underwriting, customer care to claims processing, finance to regulation. Our architecture melds artificial intelligence with the human kind, and learns from the prodigious data it generates to become ever better at delighting customers and quantifying risk.

In addition to digitizing insurance end-to-end, we also reimagined the underlying business model to minimize volatility while maximizing trust and social impact. In a departure from the traditional insurance model, where profits can literally depend on the weather, we typically retain a fixed fee, currently 25% of premiums, and our gross margins are expected to change little in good years and in bad. At Lemonade, excess claims are generally offloaded to reinsurers, while excess premiums are usually donated to nonprofits selected by our customers as part of our annual "Giveback". These two ballasts, reinsurance and Giveback, reduce volatility, while creating an aligned, trustful, and values-rich relationship with our customers. See "Business — Our Business Model" and "Business — Our Product Offerings — Giveback Feature."

Lemonade’s cocktail of delightful experience, aligned values, and great prices enjoys broad appeal, while over indexing on younger and first time buyers of insurance. As these customers progress through predictable lifecycle events, their insurance needs normally grow to encompass more and higher-value products: renters regularly acquire more property and frequently upgrade to successively larger homes; home buying often coincides with a growing household and a corresponding need for life or pet insurance, and so forth. These progressions can trigger orders-of-magnitude jumps in insurance premiums.

The result is a business with highly-recurring and naturally-growing revenue streams; a level of automation that we believe delights consumers while collapsing costs; and an architecture that generates and employs data to price and underwrite risk with ever-greater precision to the benefit of our company, our customers and their chosen nonprofits.
This powerful trifecta, delightful experience, aligned values, and great prices, has delivered rapid growth alongside steadily improving results:

Since our launch in late 2016, our gross written premium ("GWP") grew from $9 million in 2017, to $47 million a year later, and to $116 million in 2019. For the three months ended March 31, 2020, our GWP was $38 million. In parallel, our net losses per dollar of GWP dropped from over $3 in 2017 to under $1 both in 2019 and for the three months ended March 31, 2020. Our revenue was $2 million, $23 million, and $67 million in 2017, 2018 and 2019, respectively, and our net losses were $28 million, $53 million, and $109 million, respectively. For the three months ended March 31, 2020, our revenue was $26 million and our net losses were $37 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Components of Our Results of Operations — Revenue — Gross Written Premium."

In parallel to this growth of topline and increasing efficiencies, our gross loss ratio declined steadily from 161% in 2017, to 113% in 2018, to 79% in 2019 and to 72% for the three months ended March 31, 2020. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Operating and Financial Metrics."

**Our Model**

In contrast to the vast majority of the insurance industry, we have implemented a fixed fee business model, whereby we typically retain a fixed fee, currently 25% of all premiums. We use the remaining funds to pay claims (including reinsurance) and, if there are funds leftover, donate to nonprofits as part of our Giveback. Reinsurance is a central part of our business model that ensures that our portion of losses combined with the cost of reinsurance is unlikely to exceed 75%. Our model is designed to create highly recurring revenue streams and reduces the volatility that is endemic to traditional insurance companies, where profits can vary substantially from year to year based on multiple factors, many of which are beyond the insurer’s control. We expect that as we grow our customer base, the profit potential of our fixed fee model, and the amount of funds leftover for our Giveback will increase.

We use technology and artificial intelligence to reduce hassle, time, and cost associated with purchasing insurance and the claims submission and fulfillment process. We built our entire company on a unified, proprietary, state-of-the-art technology platform. Our customers are able to purchase insurance on our website or through our app, generally in a matter of minutes. Our artificial intelligence system handles substantially all of our customer onboarding and a meaningful portion of our claims. By maintaining control over the entire insurance lifecycle, we are able to create innovative products and learn from each customer interaction to enrich our platform. This enables us to operate with a degree of speed and flexibility we believe to be unmatched by incumbent insurance carriers.
Operating Leverage

Combining topline growth with relatively constant gross margins and operations that scale efficiently, creates a leveraged operating model for our business. Our operating costs are primarily composed of three components: sales and marketing, research and development, and general and administrative. We expect all three components to continue to grow in absolute terms as we seek greater market share, launch new products, and expand into new geographies. However, we expect all three components to decline as a percent of our total revenues.

Sales and Marketing

We have seen significant improvement in our marketing efficiency, which we evaluate by comparing the growth of our in force premium to marketing expenditures for a given period, and believe there is opportunity for continued improvement. For example, since March 31, 2019, our marketing efficiency roughly doubled, such that we are currently able to acquire more than $2 of in force premium for each $1 of marketing investment. Given our predictable gross margins, strong retention rates and the propensity of our customers to spend materially more with us over time, we believe that the lifetime value of our customers is significantly higher than our cost of acquiring them. Applying a roughly 20% gross margin, we would earn back the cost of acquiring our customers in just over two years. Any annual coverage increases, graduation of renters to homeowners or new product introductions, pet insurance for example, further shorten the payback period and drive up lifetime value.

Research and Development

We intend to continue investing in technology as we grow, as we believe our state-of-the-art platform is a key competitive advantage that enables us to service new customers, launch new products and expand into new geographies with little incremental investment.

General and Administrative

We believe our extensive use of technology and bots to automate many common functions in customer onboarding and insurance underwriting is unique in the insurance industry and will allow us to deliver a superior experience to our customers at a lower cost and with far fewer employees than traditional insurers. Our bots are fast, scalable, and are learning to tackle an increasing array of tasks, allowing us to operate with low marginal costs as we grow.

The ratio of our expenses to our revenues has improved significantly in the last three years. From 2018 to 2019, we saw approximately 60 percentage points of improvement in adjusted EBITDA margin, and an additional approximately 70 percentage points of improvement from 2019 to March 31, 2020.
Our fast-improving adjusted EBITDA margin charts a path to profitability, driven by frequent improvements, as well as by the fruits from prior-years’ investments. We expect to continue investing in markets, in products, in technology and in customer acquisition, as we believe these investments will pay dividends for years to come.

Reinsurance

Reinsurance is a financial instrument under which one insurer, the "reinsurer," agrees to cover a portion of the claims of another insurer, the "primary insurer," in return for a portion of their premium. While this description characterizes all reinsurance, implementations come in different flavors, each with its own costs and benefits. We have entered into a range of reinsurance agreements, differing in both duration and terms, which combine, we believe, to deliver maximum capital efficiency, while optimizing our gross margins for both stability and size.

Proportional Reinsurance: Maximize Capital Efficiency

The low cost of capital for reinsurance companies creates an opportunity to share premiums and maintain our gross margin while dramatically reducing our capital requirements through a structure called "proportional reinsurance" (also known as "quota share reinsurance"). Beginning on July 1, 2020, we will have proportional reinsurance protecting 75% of our business (the "Proportional Reinsurance Contracts"). Under the Proportional Reinsurance Contracts, which span all of our products and geographies, we transfer, or "cede," 75% of our premiums to our reinsurers. In exchange, these reinsurers pay us a "ceding commission" of 25% for every dollar ceded, in addition to funding all of the corresponding claims, i.e. 75% of all our claims. This arrangement mirrors our fixed fee, and hence shields our gross margin, from the volatility of claims, while boosting our capital efficiency dramatically.

Under U.S. and E.U. regulatory laws, insurance companies are required to set aside "surplus capital" in accordance with various formulae. These requirements tend to be more onerous for younger companies experiencing rapid growth, such that without reinsurance we would need to
reserve as much as 50 cents for every dollar of premium sold, known as a 2:1 ratio. Our proportional reinsurance structure shifts most of that surplus capital requirement to the reinsurer, such that the capital surplus requirement for the Company is expected to be approximately 7:1.

Non-Proportional Reinsurance: Optimize Gross Margins

As described above, our Proportional Reinsurance Contracts provide that we cede 75% of our premiums to our reinsurers, pushing our capital efficiency to near maximized levels. We have opted to manage the remaining 25% of our business with alternative forms of reinsurance, with a view to maximizing profitability, while also protecting the integrity of our fixed fee.

These two remaining goals live in tension with one another: leaving zero "wiggle room" around our fixed fee would guarantee its stability, but would preclude our benefiting from our improving loss ratio. Conversely, any room for improved profitability would also introduce additional volatility into our business.

To balance our desire for both growing and stable gross margins, we set out to structure our remaining reinsurance such that variability in our gross margins will be largely contained, though not eliminated entirely. We believe we have achieved this through a combination of reinsurance structures known as "per risk reinsurance" and "facultative reinsurance" (the "Non-Proportional Reinsurance Contracts"). Together with the Proportional Reinsurance Contracts, these Non-Proportional Reinsurance Contracts intend to ensure that the most we will pay for any one claim is unlikely to ever exceed $125,000.

We believe our reinsurance structure achieves important goals: making us capital-light, buffering our gross margins from the vicissitudes of claims, and leaving room for our gross margins to grow. Indeed, based on our current book of business, our probability models suggest that we have crafted a ±3% collar around our gross margins, with underwriting results expected to impact our gross margins no more than ±3% in 95 years out of 100. Our probability modeling further suggests that, in any given year, the variance in our gross margins is twice as likely to be favorable than not.

Duration

Our goal of maximizing predictability of our results, while growing gross margins over time, led us to vary not only the terms of our reinsurance agreements, but their term, too.

The Proportional Reinsurance Contracts will be issued by a consortium of seven reinsurers, each holding an 'A' or better rating from A.M. Best, and each holding a share of the agreement's commitments. Roughly three quarters of the Proportional Reinsurance Contracts run for a three-year term, expiring June 30, 2023, while the remainder has a one-year term, expiring June 30, 2021. Our Non-Proportional Reinsurance Contracts, in which eight reinsurers partake, each holding an 'A' or better rating from A.M. Best, are likewise effective as of July 1, 2020, and have a one-year term.

All told, about 55% of our book will be reinsured on a three-year term, with the remainder coming up for renewal and renegotiation on an annual basis. We believe that staggering the terms this way provides the appropriate balance between maximizing predictability, and enabling us to capture more margin over time.

Risk Management

We believe our risk management capabilities afford us a growing and defensible competitive advantage. First, in an effort to transcend the adversarial and the transactional dynamics that plague our industry, we have restructured the basics of the relationship between an insurer and their insureds. Specifically, we believe our fixed fee business model combined with our Giveback
discourages fraud and promotes greater trust between us and our customers. Second, our extensive use of data and technology enables us to be increasingly precise at risk selection, risk pricing, and claims handling. Our systems also enable us to monitor our book in real time, and to rapidly respond to evolving risks. As our data grow and our systems learn, these progressions propel a virtuous cycle that enables us to widen our advantage over time.

**Encouraging Good Behavior**

After our customers purchase a policy, we ask them to designate a charitable cause for us to support with the residual premiums from their policy. We believe this “Giveback,” combined with our fixed fee structure and B-Corp status, increases alignment with our customers. As a result, we believe customers are less inclined to embellish claims, as they would be hurting a nonprofit they care about, rather than an insurance company they do not.

**Detecting and Deterring Bad Behavior**

Our insurance operations are built on top of a unified, proprietary, state-of-the-art technology platform. We believe the digital nature of our customer interactions generates orders of magnitude more data than our broker-based competitors do, and these data are proving highly predictive of risk. The power of our system goes beyond the sheer tonnage of data it generates, as we are able to put data to work in ways we believe, based on the experience of our management in the insurance industry, that legacy systems cannot. Our systems are tightly integrated, so data generated in a customer support interaction can inform the claims process, while claims data routinely impact marketing campaigns, and so forth. Likewise, our bots do not merely collect data, but also adapt in real time in response to the data they collect.

Our system utilizes the combined power of these capabilities to predict, deter, detect, and block fraud throughout the customer engagement. It continuously tracks untold signals and analyzes relationships between things which may appear trivial or invisible to humans, but in which our machine learning uncovers complex multivariate links that have helped us avoid millions of dollars’ worth of potential losses.

**Risk Selection**

The wealth of information we collect gives us a comprehensive and, we believe, unique view of our customers. In combination with a rich and growing dataset of claims, we have been able to better extract insights into how our extensive, and ever growing, underwriting datasets can be used to predict losses. This enables us to price risk at increasing levels of precision.

We believe our expansive datasets and tailored approach to underwriting provide us with a competitive advantage, which will compound as we further expand our datasets, our product offerings and continue to apply the power of machine learning and AI to further refine our underwriting and risk selection.

**Real Time Monitoring**

Our integrated technology allows us to underwrite, monitor and manage our portfolio of insurance risk in real time. For example, our bot “Cooper” continuously monitors satellite data to detect severe weather, fires and other catastrophes. These data are then used to block new policies in affected areas, lowering our risk of potential fraud or adverse selection.

Importantly, this use of data and technology extends beyond risk selection: we also aim to reduce the loss potential of policies we have underwritten by alerting both our policyholders and our claims teams to potential events as they develop.
Crucially, as with developing weather threats, our systems can also throw a spotlight on emerging risk concentrations or pockets of poor pricing or underwriting. By continuously splicing our data by geography, demographics, marketing campaigns and numerous other filters, we can get an early warning of problems as they take shape, and that same digital infrastructure typically allows for rapid course-correction as needed.

**Comprehensive Reinsurance**

We maintain a comprehensive reinsurance program to protect our capital base from catastrophic events and losses above targeted levels. Our disciplined approach to risk management is critical in providing competitive prices to our customers, and enables us to secure on an ongoing basis, and at favorable terms, the comprehensive reinsurance coverage we utilize to operate our business profitably and protect our capital base.

**Key Operating and Financial Metrics**

We regularly review a number of metrics, including the following key operating and financial metrics, to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions. We believe these non-GAAP and operational measures are useful in evaluating our performance, in addition to our financial results prepared in accordance with GAAP. See "— Non-GAAP Financial Measures" for additional information on non-GAAP financial measures and a reconciliation to the most comparable GAAP measures.

The following table sets forth these metrics as of and for the periods presented:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Three Months Ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Customers (end of period)</td>
<td>308,835</td>
<td>643,118</td>
</tr>
<tr>
<td>In force premium (end of period)</td>
<td>$44.9</td>
<td>$133.8</td>
</tr>
<tr>
<td>Premium per Customer (end of period)</td>
<td>$145</td>
<td>$177</td>
</tr>
<tr>
<td>Operating revenue</td>
<td>$25.3</td>
<td>$75.5</td>
</tr>
<tr>
<td>Adjusted gross profit</td>
<td>$4.2</td>
<td>$13.1</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$(51.7)</td>
<td>$(166.4)</td>
</tr>
<tr>
<td>Adjusted gross margin</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Adjusted EBITDA margin</td>
<td>(204)%</td>
<td>(141)%</td>
</tr>
<tr>
<td>Gross loss ratio</td>
<td>113%</td>
<td>79%</td>
</tr>
<tr>
<td>Net loss ratio</td>
<td>72%</td>
<td>72%</td>
</tr>
</tbody>
</table>
The following table sets forth Customers, Premium per Customer, in force premium, and gross loss ratio on a quarterly basis from March 31, 2018 through March 31, 2020:

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers (end of period)</td>
<td>117,818</td>
<td>168,491</td>
<td>257,367</td>
<td>308,835</td>
<td>371,571</td>
<td>442,752</td>
<td>562,251</td>
<td>643,118</td>
<td>729,325</td>
</tr>
<tr>
<td>In force premium (end of period)</td>
<td>$15.5</td>
<td>$23.4</td>
<td>$35.6</td>
<td>$44.9</td>
<td>$57.2</td>
<td>$72.1</td>
<td>$94.9</td>
<td>$113.8</td>
<td>$133.3</td>
</tr>
<tr>
<td>Premium per Customer (end of period)</td>
<td>$131</td>
<td>$139</td>
<td>$138</td>
<td>$145</td>
<td>$154</td>
<td>$163</td>
<td>$169</td>
<td>$177</td>
<td>$183</td>
</tr>
<tr>
<td>Operating revenue</td>
<td>$2.9</td>
<td>$4.8</td>
<td>$7.5</td>
<td>$10.1</td>
<td>$12.5</td>
<td>$16.0</td>
<td>$21.1</td>
<td>$26.0</td>
<td>$30.5</td>
</tr>
<tr>
<td>Adjusted gross profit</td>
<td>$0.1</td>
<td>$0.9</td>
<td>$1.6</td>
<td>$1.6</td>
<td>$1.8</td>
<td>$2.3</td>
<td>$3.9</td>
<td>$5.1</td>
<td>$5.4</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$(9.8)</td>
<td>$(13.0)</td>
<td>$(12.1)</td>
<td>$(16.8)</td>
<td>$(21.6)</td>
<td>$(23.0)</td>
<td>$(30.4)</td>
<td>$(31.4)</td>
<td>$(22.4)</td>
</tr>
<tr>
<td>Adjusted gross margin</td>
<td>3%</td>
<td>19%</td>
<td>21%</td>
<td>16%</td>
<td>14%</td>
<td>14%</td>
<td>18%</td>
<td>20%</td>
<td>18%</td>
</tr>
<tr>
<td>Adjusted EBITDA margin</td>
<td>(338)%</td>
<td>(271)%</td>
<td>(161)%</td>
<td>(166)%</td>
<td>(173)%</td>
<td>(144)%</td>
<td>(144)%</td>
<td>(121)%</td>
<td>(73)%</td>
</tr>
<tr>
<td>Gross loss ratio</td>
<td>146%</td>
<td>132%</td>
<td>105%</td>
<td>99%</td>
<td>87%</td>
<td>82%</td>
<td>78%</td>
<td>73%</td>
<td>72%</td>
</tr>
<tr>
<td>Net loss ratio</td>
<td>80%</td>
<td>71%</td>
<td>68%</td>
<td>73%</td>
<td>75%</td>
<td>74%</td>
<td>71%</td>
<td>69%</td>
<td>72%</td>
</tr>
</tbody>
</table>

**Customers**

We define Customers as the number of current policyholders underwritten by us or placed by us with third-party insurance partners (who pay us recurring commissions) as of the period end date. A customer that has more than one policy counts as a single customer for the purposes of this metric. We view Customers as an important metric to assess our financial performance because customer growth drives our revenue, expands brand awareness, deepens our market penetration, creates additional upsell and cross-sell opportunities and generates additional data to continue to improve the functioning of our platform.

**In Force Premium**

We define in force premium ("IFP") as the aggregate annualized premium for Customers as of the period end date. At each period end date, we calculate IFP as the sum of:

i) In force written premium — the annualized premium of in force policies underwritten by us; and

ii) In force placed premium — the annualized premium of in force policies placed with third party insurance companies for which we earn a recurring commission payment. In force placed premium currently reflects less than 1% of IFP.

The annualized value of premiums is a legal and contractual determination made by assessing the contractual terms with our customers. The annualized value of contracts is not determined by reference to historical revenues, deferred revenues or any other GAAP financial measure over any period. IFP is not a forecast of future revenues nor is it a reliable indicator of revenue expected to be earned in any given period. We believe that our calculation of IFP is useful to analysts and investors because it captures the impact of growth in Customers and Premium per Customer at the end of each reported period, without adjusting for known or projected policy updates, cancellations, rescissions and non-renewals. See "Key Factors and Trends Affecting our Operating Results — Our Ability to Retain Customers." We use IFP because we believe it gives our management useful insight into the total reach of our platform by showing all in force policies underwritten and placed.
by us. Other companies, including companies in our industry, may calculate IFP differently or not at all, which reduces the usefulness of IFP as a tool for comparison.

**Premium Per Customer**

We define **Premium per Customer** ("PPC") as the average annualized premium customers pay for products underwritten by us or placed by us with third-party insurance partners. We calculate PPC by dividing IFP by Customers. We view PPC as an important metric to assess our financial performance because PPC reflects the average amount of money our customers spend on our products, which helps drive strategic initiatives.

**Operating Revenue**

We define operating revenue, a non-GAAP financial measure, as total revenue before adding net investment income and before subtracting earned premium ceded to reinsurers. See "— Non-GAAP Financial Measures" for a reconciliation of total revenue to operating revenue.

**Adjusted Gross Profit**

We define adjusted gross profit, a non-GAAP financial measure, as:

- total revenue, excluding net investment income, plus
- ceding commission earned, less
- loss and loss adjustment expense, net of amounts ceded to reinsurers, less
- payment processing fees, and less
- amortization of deferred acquisition costs.

See "— Non-GAAP Financial Measures" for a reconciliation of total revenue to adjusted gross profit.

**Adjusted EBITDA**

We define adjusted EBITDA, a non-GAAP financial measure, as net loss excluding the impact of interest expense, income tax expense, depreciation, amortization, stock-based compensation, net investment income and other transactions that we consider to be unique in nature. See "— Non-GAAP Financial Measures" for a reconciliation of net loss to adjusted EBITDA in accordance with GAAP.

**Adjusted Gross Margin**

We define adjusted gross margin, a non-GAAP financial measure, expressed as a percentage, as the ratio of adjusted gross profit to operating revenue. See "— Non-GAAP Financial Measures."

**Adjusted EBITDA Margin**

We define adjusted EBITDA margin, a non-GAAP financial measure, expressed as a percentage, as the ratio of adjusted EBITDA to operating revenue. See "— Non-GAAP Financial Measures."

**Gross Loss Ratio**

We define gross loss ratio, expressed as a percentage, as the ratio of losses and loss adjustment expense to gross earned premium.
Net Loss Ratio

We define net loss ratio, expressed as a percentage, as the ratio of losses and loss adjustment expense, less amounts ceded to reinsurers, to net earned premium.

Key Factors and Trends Affecting our Operating Results

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

Our Ability to Attract New Customers to Our Platform

Our long-term growth will depend in large part on our continued ability to attract new customers to our platform. We intend to drive organic customer acquisition by relying on our strong brand awareness and on word-of-mouth referrals from existing customers, both of which are fueled by our differentiated customer experience and our efficient, self-serve customer onboarding model. Additionally, we will continue to target attractive potential customer segments through our digital marketing channels and partnership arrangements. Due to the relatively large size of the market in which we operate and our limited operating history, we are still in the early stages of expanding our market share.

Our Ability to Retain Customers

Our success will depend on our ability to retain customers and profit from their significant potential lifetime value over many years. Our customers become more valuable to us every year they continue to subscribe to our products because retention rates typically increase while loss ratios decrease as customers renew their policies over time, while overall coverage levels also tend to rise over time. Our continued success relies on our ability to provide a delightful end-to-end customer experience, satisfy our customers’ evolving insurance needs and maintain our customers’ trust in our products.

We believe an indication of the strength and longevity of our customer relationships is evident in our retention rate for customers after one year, which is based upon the customer cancellations within the first year ("Year One Customer Retention Rate"). Similarly, we also track the retention rate for customers after two years, which is based upon the customer cancellations within the second year ("Year Two Customer Retention Rate"). Our Year One Customer Retention Rate reflects the number of customers that remain at the end of the 12 months after purchasing one of our insurance products as a percentage of customers that purchased at the beginning of the year. Our Year Two Customer Retention Rate reflects the number of customers that remain at the end of 24 months after purchasing one of our insurance products, as a percentage of customers remaining after the first twelve months. As of March 31, 2020, our Year One Customer Retention Rate and Year Two Customer Retention Rate were 75% and 76%, respectively. We lose customers for a variety of reasons, including customers relocating to geographies where we currently do not offer our products.

Though retention rates are similar in Year One and Year Two, it is notable that in managing the risk of our portfolio, we deprioritize retention of certain of our customers under certain circumstances. Our Year One Retention Rate excludes company-initiated cancellations, rescissions and non-renewals based on underwriting risk assessment consistent with regulatory requirements. This accounts for an additional 13% and 5% decrease in Year One Customer Retention Rate and Year Two Customer Retention Rate, respectively.
Our Ability to Expand into New Geographies

Our long-term growth opportunity will benefit from our ability to use our technology platform to provide insurance across geographies outside of the United States, positioning us initially to acquire and serve customers with similar characteristics to those of our current U.S. customers. We currently hold a pan-European license, which allows us to sell in 31 countries across Europe, and commenced operating in Germany on June 11, 2019 and the Netherlands on April 2, 2020. Our long-term strategy is to harness technology and social impact to be the world's most loved insurance company.

Our Ability to Grow PPC by Expanding Coverage

We are in the early stages of building our customer base. As our existing customers age, become homeowners, acquire more insurable assets, and develop more expansive insurance needs, we need to expand coverage levels and products that satisfy them. Additionally, we need to expand coverage and increase customer engagement, which we expect will drive greater customer satisfaction, stronger customer retention and, ultimately, higher PPC.

Our Ability to Introduce New and Innovative Products

Our growth will depend on our ability to launch new and innovative products that delight current and potential customers. Our insurance licenses, reinsurance construct and technology platform will enable us to provide a broad set of insurance products to consumers in the future. We may supplement existing products with adjacent or new standalone products that we can sell cost effectively to our existing customer base. Our success in bringing additional products to our customers depends on our ability to develop underwriting capabilities for different risk profiles, obtain and analyze relevant data, and obtain regulatory approvals for our products and levels of pricing. In February 2020, we announced our expectations to expand our product offering into pet insurance, a product we are licensed to write on our own paper as a Property & Casualty insurance carrier.

Ability to Manage Risk

We manage risk through our data and machine learning processes, which become more developed as we repeatedly perform tasks, underwrite products, undergo claims procedures, purchase reinsurance, and reevaluate our incentive structure. Data continuously collected and analyzed by our machine learning capabilities identify and quantify risk across all aspects of our customer interaction, with the objective of optimizing our loss ratio. While our current reinsurance framework substantially ensures the stability of our net loss ratio, we must over time achieve and maintain that optimal gross loss ratio.

Seasonality

Seasonal patterns can impact both our rate of customer acquisition and the incurrence of claims and losses.

Based on historical experience, existing and potential customers move more frequently in the third quarter, compared to the rest of the calendar year. As a result, we may see greater demand for new or expanded insurance coverage, and increased online engagement resulting in proportionately more growth during the third quarter. We expect that as we grow our Customers, expand geographically and launch new products, the impact of seasonal variability on our rate of growth may decrease.
Additionally, seasonal weather patterns impact the level and amount of claims we receive. These patterns include hurricanes, wildfires, and coastal storms in the fall, cold weather patterns and changing home heating needs in the winter, and tornados and hailstorms in the spring and summer. The mix of geographic exposure and products within our customer base impacts our exposure to these weather patterns.

COVID-19 Impact

In December 2019, COVID-19 was reported to have surfaced in Wuhan, China and was subsequently recognized as a pandemic by the World Health Organization. The global pandemic has severely impacted businesses worldwide, including many in the insurance sector. Insurers of travel, events or business interruption may be directly and adversely affected by claims from COVID-19 or the lock-down it engendered. Other insurers, in lines of business that are not directly impacted by COVID-19, may nevertheless be dependent on office-based brokers, in-person inspections, or teams that are poorly equipped to work from home — all of which can translate into value erosion. Finally, the broader financial crisis may hurt insurers in other ways, too. With interest rates at all-time lows, many insurers may see their return on capital drop; while those selling premium or discretionary products may see an increase in churn and a decrease in demand.

Against this backdrop it is noteworthy that our business has continued to grow, and the key drivers of our business have continued their positive progress, despite the pandemic.

- Lemonade writes insurance in lines that have so far been largely unaffected by COVID-19, or indeed, historically, by recession.
- Our systems are entirely cloud based and accessible to our teams from any browser anywhere in the world. Customers' phone calls are routed to our team's laptops, and answered and logged from wherever they happen to be. Internal communication has been via Slack and Zoom since our founding. The upshot is that while we all enjoy each other's company, our teams are able to access systems, support customers and collaborate with each other from anywhere, much as they did before the pandemic.
- Our customers' experience with Lemonade is likewise largely unaffected by the turmoil, as AI Maya and AI Jim chat with customers, wherever they may be, without triggering concerns about social distancing.

This resilience is reflected in our results. April 2020, the month when COVID-19 drove social distancing, uncertainty and financial turmoil to what we believe was their apex, was a strong month for Lemonade. On April 30, 2020 our IFP was about 130% higher than it was April 30, 2019. Likewise, the growth in our IFP during April 2020 was 53% greater than it was during the corresponding period in 2019, even though our marketing spend was about a third lower, in absolute terms, during this period. Indeed, every marketing dollar spent during April 2020 generated 129% more IFP than the equivalent spend did during April 2019.

Due to the speed with which the COVID-19 situation is developing, the global breadth of its spread and the range of governmental and community reactions thereto, there remains uncertainty around its duration and ultimate impact, and the related financial impact on our business could change and cannot be accurately predicted at this time. See "Risk Factors — Risks Relating to our Business — Severe weather events and other catastrophes, including the effects of climate change and global pandemics, are inherently unpredictable and may have a material adverse effect on our financial results and financial condition."
Our Opportunities, Challenges and Risks

There are a number of significant opportunities for us to continue the growth of our business. These opportunities include leveraging our existing customer base, to attract new customers to our platform, retaining existing customers and growing their PPC as their insurance needs expand over time, and expanding into new geographies using our unique business model, brand, team, and technology that enables rapid and efficient growth. Additionally, we plan to vertically expand and introduce new and innovative products that we expect will enable us to serve a greater proportion of our customers’ needs. For more information on our growth strategies, see the section titled “Business — Growth Opportunities.”

While we believe there are material opportunities for growth, we also face a number of challenges and risks in implementing these growth strategies. Our ability to attract and retain customers depends on maintaining and strengthening our brand of providing delightful and superior customer experiences and competitive pricing. In particular, we are challenged by traditional insurers who have more diverse product offerings and longer established operating histories. These competitors can mimic certain aspects of our digital platform and offerings and as they have more types of insurance products, can offer customers the ability to "bundle" multiple coverage types together, which may be attractive to many customers.

In order to increase our PPC, we must increase the number of higher-priced customers, such as homeowners, and the proportion of higher-priced customers relative to lower-priced customers, such as renters. In doing so, we may encounter greater business risk. Many homeowners may be exposed to a large number of service providers who have more direct and personal access to them. Similarly, there may be a perception that a higher priced policy from a traditional insurer may be of higher quality given their size and longevity. To expand into new geographies, we face risks of not being able to obtain necessary licensing or other regulatory approvals in such states or countries. As we expand operations outside the United States, we also face varying cultural norms and customs, additional regulatory, legal and compliance standards and requirements, and additional required investments in both regulatory approvals and marketing channels. A key risk associated with introducing new products is that we may not develop a deep enough understanding of the new markets and associated business challenges, and thus may incur substantial investments of time and resources and fail to penetrate these markets successfully. For more information on challenges we face, see the section titled "Risk Factors — Risks Relating to Our Business."

As we continue to expand our business domestically and internationally, a number of relevant economic and industry-wide factors present challenges and risks. The intense competition in the segments of the insurance industry in which we operate presents risks that we may not be able to differentiate ourselves through product coverage, reputation, financial strength and pricing. The cyclical nature of the insurance business also affects our operating results, and industry-wide negative conditions such as a decline in policies sold, an increase in the frequency of claims or an increase in the frequency of false or overstated claims may impact our business. Additionally, many U.S. states are increasingly adopting more stringent cybersecurity and data privacy regulations, which may present challenges for our company and the industry as it continues to expand digital operations. Global economic conditions may also impact our operations, including fluctuations in foreign currency exchange rates due to normal market volatility, or due to significant external events such as Brexit, the trade war with China and other countries, and the COVID-19 pandemic.
Components of our Results of Operations

Revenue

Gross Written Premium

Gross written premium is the amount received, or to be received, for insurance policies written by us during a specific period of time without reduction for premiums ceded to reinsurance. The volume of our gross written premium in any given period is generally influenced by new business submissions, binding of new business submissions into policies, renewals of existing policies, and average size and premium rate of bound policies.

Gross Earned Premium

Gross earned premium represents the earned portion of our gross written premium. Our insurance policies generally have a term of one year and premium is earned pro rata over the term of the policy.

Ceded Earned Premium

Ceded earned premium is the amount of gross earned premium ceded to reinsurers. We enter into reinsurance contracts to limit our exposure to potential losses as well as to provide additional capacity for growth. Ceded earned premium is earned over the reinsurance contract period in proportion to the period of risk covered. The volume of our ceded earned premium is impacted by the level of our gross written premium and any decision we make to increase or decrease limits, retention levels and co-participations.

Net Earned Premium

Net earned premium represents the earned portion of our gross written premium, less the earned portion that is ceded to third-party reinsurers under our reinsurance agreements. Premium is earned pro rata over the term of the policy, which is generally one year.

Net Investment Income

Net investment income represents interest earned from fixed maturity securities, short term securities and other investments, and the gains or losses from the sale of investments. Our cash and invested assets are primarily comprised of fixed-maturity securities, and may also include cash and cash equivalents, equity securities, and short-term investments. The principal factors that influence net investment income are the size of our investment portfolio and the yield on that portfolio. As measured by amortized cost (which excludes changes in fair value, such as changes in interest rates), the size of our investment portfolio is mainly a function of our invested equity capital along with premium we receive from our customers less payments on customer claims. Over time, we expect that net investment income will represent a more meaningful component of our results of operations.

Commission Income

Commission income consists of commissions earned for policies placed with third-party insurance companies where we have no exposure to the insured risk. Such commission is recognized on the effective date of the associated policy.
Loss and Loss Adjustment Expense ("LAE"). Net

Loss and loss adjustment expense, net represent the costs incurred for losses net of amounts ceded to reinsurers. We enter into reinsurance contracts to limit our exposure to potential losses as well as to provide additional capacity for growth. These expenses are a function of the size and term of the insurance policies we write and the loss experience associated with the underlying risks. Loss and LAE are based on an actuarial analysis of the estimated losses, including losses incurred during the period and changes in estimates from prior periods. Loss and LAE may be paid out over a period of years.

Other Insurance Expense

Other insurance expense consists primarily of amortization of commissions costs and premium taxes incurred on the successful acquisition of business written on a direct basis, and credit card processing fees not charged to our customers. Other insurance expense also includes employee compensation, including stock-based compensation and benefits, of our underwriting teams as well as allocated occupancy costs and related overhead based on headcount. Other insurance expense is offset by ceding commissions earned.

Sales and Marketing

Sales and marketing includes third-party marketing, advertising, branding, public relations and sales expenses. Sales and marketing also includes associated employee compensation, including stock-based compensation and benefits, as well as allocated occupancy costs and related overhead based on headcount. Sales and marketing costs are expensed as incurred.

We plan to continue to invest in sales and marketing to attract and acquire new customers and increase our brand awareness. We expect that sales and marketing costs will increase in absolute dollars in future periods and vary from period-to-period as a percentage of revenue in the near-term. We expect that, in the long-term, our sales and marketing costs will decrease as a percentage of revenue as we continue to drive customer acquisition efficiencies and as the proportion of renewals to our total business increases.

Technology Development

Technology development consists of employee compensation, including stock-based compensation and benefits, and expenses related to vendors engaged in product management, design, development and testing of our websites and products. Technology development also includes allocated occupancy costs and related overhead based on headcount. We expense technology development costs as incurred, except for costs that are capitalized related to internal-use software development projects and subsequently depreciated over the expected useful life of the developed software.

We expect product technology development costs, a portion of which will be capitalized, to continue to grow in the foreseeable future as we identify opportunities to invest in the development of new products and internal tools and enhancement of our existing products and technologies that we believe will drive the long-term profitability of the business.

General and Administrative

General and administrative includes employee compensation, including stock-based compensation and benefits for executive, finance, accounting, legal, business operations, and other administrative personnel. In addition, general and administrative includes outside legal, tax and
accounting services, insurance, and allocated occupancy costs and related overhead based on headcount.

We expect to incur incremental general and administrative costs to support our global operational growth and enhancements to support our reporting and planning functions.

Following the completion of this offering, we expect to incur significant additional general and administrative expense as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the SEC and the listing standards of the NYSE, additional corporate, director and officer insurance expenses, greater investor relations expenses and increased legal, audit and consulting fees. We also expect to increase the size of our general and administrative function to support our increased compliance requirements and the growth of our business. As a result, we expect that our general and administrative expense will increase in absolute dollars in future periods and vary from period-to-period as a percentage of revenue.

Income Tax Expense

Our provision for income taxes consists primarily of foreign income taxes related to income generated by our subsidiaries organized under the laws of the Netherlands and Israel. As we expand the scale of our international business activities, any changes in the U.S. and foreign taxation of such activities may increase our overall provision for income taxes in the future.

We have a valuation allowance for our U.S. deferred tax assets, including federal and state NOLs. We expect to maintain this valuation allowance until it becomes more likely than not that the benefit of our federal and state deferred tax assets will be realized through expected future taxable income in the United States.

Results of Operations

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

<table>
<thead>
<tr>
<th>Years Ended</th>
<th>Three Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31,</td>
</tr>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
</tr>
<tr>
<td>Net earned premium</td>
<td>$21.2</td>
</tr>
<tr>
<td>Net investment income</td>
<td>1.3</td>
</tr>
<tr>
<td>Commission income</td>
<td>—</td>
</tr>
<tr>
<td>Total revenue</td>
<td>22.5</td>
</tr>
<tr>
<td>Expense</td>
<td></td>
</tr>
<tr>
<td>Loss and loss adjustment expense, net</td>
<td>15.2</td>
</tr>
<tr>
<td>Other insurance expense</td>
<td>4.2</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>41.9</td>
</tr>
<tr>
<td>Technology development</td>
<td>4.7</td>
</tr>
<tr>
<td>General and administrative</td>
<td>9.1</td>
</tr>
<tr>
<td>Total expense</td>
<td>75.1</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(52.6)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>0.3</td>
</tr>
<tr>
<td>Net loss</td>
<td>$ (52.9)</td>
</tr>
</tbody>
</table>
Net Earned Premium

Net earned premium increased $14.8 million, or 141%, to $25.3 million for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. The increase was primarily due to the growth in gross written premium.

Premium growth for the three months ended March 31, 2020, as compared to the three months ended March 31, 2019, was due primarily to a 96% increase in net added customers year over year driven by expansion of our geographic footprint and product offerings. Since March 31, 2019, we began writing policies in five additional states and Germany. We also saw a 19% increase in PPC primarily resulting from the mix of underlying products.

Ceded earned premium as a percentage of gross earned premium increased to 17.0% for the three months ended March 31, 2020, as compared to 16.0% for the three months ended March 31, 2019, mainly driven by a new whole account quota share reinsurance agreement entered into during the current period.

The following table presents gross written premium, ceded written premium, net written premium, change in unearned premium, gross earned premium, ceded earned premium and net earned premium for the three months ended March 31, 2019 and 2020.

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended March 31,</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019 ($ in millions)</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>Gross written premium</td>
<td>$19.3</td>
<td>$38.1</td>
<td>$18.8</td>
</tr>
<tr>
<td>Ceded written premium</td>
<td>(0.5)</td>
<td>(4.3)</td>
<td>(3.8)</td>
</tr>
<tr>
<td>Net written premium</td>
<td>18.8</td>
<td>33.8</td>
<td>15.0</td>
</tr>
<tr>
<td>Change in unearned premium</td>
<td>(6.3)</td>
<td>(3.3)</td>
<td>3.0</td>
</tr>
<tr>
<td>Gross earned premium</td>
<td>12.5</td>
<td>30.5</td>
<td>18.0</td>
</tr>
<tr>
<td>Ceded earned premium</td>
<td>(2.0)</td>
<td>(5.2)</td>
<td>(3.2)</td>
</tr>
<tr>
<td>Net earned premium</td>
<td>$10.5</td>
<td>$25.3</td>
<td>$14.8</td>
</tr>
</tbody>
</table>

Net Investment Income

Net investment income increased $0.4 million, or 80%, to $0.9 million for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. The increase was primarily driven by a higher average balance of investments during the three months ended March 31, 2020. We mainly invest in cash, U.S. Treasury bills, notes and other obligations issued or guaranteed by the U.S. Government.

Loss and Loss Adjustment Expense, Net

Loss and LAE, net increased $10.3 million, or 130%, to $18.2 million for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. The increase was primarily driven by increased claims in line with premium volume growth.

Other Insurance Expense

Other insurance expense increased $1.4 million, or 74%, to $3.3 million for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. The increase was primarily due to a $0.7 million, or 233%, increase in amortization of deferred acquisition costs in line with written premium growth and a $0.4 million, or 80%, increase in credit card processing fees.
as a result of the increase in customers and associated premium. Employee-related costs increased by $0.5 million, or 125%, as compared to the three months ended March 31, 2019, driven by an increase in underwriting staff to support our continued growth. These increases were offset in part by a $0.2 million benefit from ceding commission earned during the three months ended March 31, 2020.

Sales and Marketing

Sales and marketing expense increased $0.8 million, or 4%, to $19.2 million for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. Employee-related costs increased by $2.0 million, or 138%, as compared to the prior year period, driven by an increase in sales and marketing headcount to support our continued growth and expansion into new markets. Expense related to brand and performance advertising, the largest component of our sales and marketing expenses, decreased by $1.7 million, or 10%, for the three months ended March 31, 2020 as compared to three months ended March 31, 2019, as a result of more efficient spending on search advertising and other customer acquisition channels.

Technology Development

Technology development expense increased $2.0 million, or 133%, to $3.5 million for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. Employee-related expenses, including stock-based compensation, and consulting-related expenses, net of capitalized costs for the development of internal-use software, increased $1.9 million, or 153%, as compared to three months ended March 31, 2019, driven by an increase in payroll expense for product, engineering, design and quality assurance personnel to support our continued growth and product development initiatives, including automation, improvement in machine learning and geographic expansion.

General and Administrative

General and administrative expense increased $15.4 million, or 550%, to $18.2 million for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. During the current period, the Company made a contribution to the Lemonade Foundation of 500,000 shares of common stock with a fair market value of $24.36 per share (see Note 10 — Stockholders' Equity in the Notes to Consolidated Financial Statements included elsewhere in this prospectus.). We recorded $12.2 million of non-cash expense within general and administrative expense in connection with this contribution. Legal, accounting and other professional fees increased $1.1 million, or 148%, to support our overall growth and expanding compliance requirements necessary to operate as a public company. Employee-related expenses increased by $1.7 million, or 135%, as we increased finance, legal, business operations and administrative personnel.

Income Tax Expense

Income tax expense increased $0.2 million, or 200%, to $0.3 million for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 due to increased tax liability related to income generated by our subsidiaries organized under the laws of the Netherlands and Israel.

Comparison of the Years Ended December 31, 2019 and 2018

Net Earned Premium

Net earned premium increased $42.6 million, or 201%, to $63.8 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase was primarily
due to the growth in gross written premium along with lower ceded premium rates under our reinsurance agreements.

Premium growth in 2019 was due primarily to a 108% increase in net added customers during the year driven by expansion of our geographic footprint and product offerings. In 2019, we began writing policies in seven additional states and Germany. We also saw a 22% increase in PPC primarily resulting from the mix of underlying products.

Ceded earned premium as a percentage of gross earned premium decreased to 15.5% for 2019, as compared to 16.2% for 2018, driven by lower rates under our reinsurance agreements.

The following table presents gross written premium, ceded written premium, net written premium, change in unearned premium, gross earned premium, ceded earned premium and net earned premium for the years ended December 31, 2018 and 2019.

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ in millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross written premium</td>
<td>$46.8</td>
<td>$115.8</td>
<td>$69.0</td>
<td>147%</td>
</tr>
<tr>
<td>Ceded written premium</td>
<td>(5.6)</td>
<td>(11.2)</td>
<td>(5.6)</td>
<td>100%</td>
</tr>
<tr>
<td>Net written premium</td>
<td>41.2</td>
<td>104.6</td>
<td>63.4</td>
<td>154%</td>
</tr>
<tr>
<td>Change in unearned premium</td>
<td>(15.9)</td>
<td>(29.1)</td>
<td>(13.2)</td>
<td>83%</td>
</tr>
<tr>
<td>Gross earned premium</td>
<td>25.3</td>
<td>75.5</td>
<td>50.2</td>
<td>198%</td>
</tr>
<tr>
<td>Ceded earned premium</td>
<td>(4.1)</td>
<td>(11.7)</td>
<td>(7.6)</td>
<td>185%</td>
</tr>
<tr>
<td>Net earned premium</td>
<td>$21.2</td>
<td>$63.8</td>
<td>$42.6</td>
<td>201%</td>
</tr>
</tbody>
</table>

Net Investment Income

Net investment income increased $2.1 million, or 162%, to $3.4 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase was primarily driven by a higher average balance of investments during the year ended December 31, 2019. We mainly invest in cash, U.S. Treasury bills, notes and other obligations issued or guaranteed by the U.S. Government.

Loss and Loss Adjustment Expense, Net

Loss and LAE, net increased $30.6 million, or 201%, to $45.8 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase was primarily driven by increased claims in line with premium volume growth.

Other Insurance Expense

Other insurance expense increased $5.4 million, or 129%, to $9.6 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase was primarily due to a $1.8 million, or 164%, increase in credit card processing fees as a result of the increase in customers and associated premium, a $1.4 million, or 200%, increase in amortization of deferred acquisitions costs in line with written premium growth, and a $1.0 million, or 132%, increase in underwriting service provider expense attributable to increased data and actuarial support needs. Employee-related costs increased by $1.1 million, or 80%, as compared to 2019, driven by an increase in underwriting staff to support our continued growth.
Sales and Marketing

Sales and marketing expense increased $47.2 million, or 113%, to $89.1 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. Expense related to brand and performance advertising, the largest component of our sales and marketing expenses, increased by $39.8 million, or 110%, in 2019 as compared to 2018, as a result of increased spending on search advertising and other customer acquisition channels. Employee-related costs increased by $4.9 million, or 135%, as compared to 2018, driven by an increase in sales and marketing headcount to support our continued growth and expansion into new markets.

Technology Development

Technology development expense increased $5.1 million, or 109%, to $9.8 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. Employee-related expenses, including stock-based compensation, and consulting-related expenses, net of capitalized costs for the development of internal-use software, increased $4.1 million, or 110%, as compared to 2018, driven by an increase in payroll expense for product, engineering, design and quality assurance personnel to support our continued growth and product development initiatives, including automation, improvement in machine learning and geographic expansion.

General and Administrative

General and administrative expense increased $11.8 million, or 130%, to $20.9 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. Legal, accounting and other professional fees increased $6.2 million, or 266%, to support our overall growth and expanding compliance requirements necessary to operate as a public company. Employee-related expenses increased by $1.7 million, or 32%, as we increased finance, legal, business operations and administrative personnel. Non-income based taxes increased by $0.8 million, or 300%, due to the growth of our assets.

Income Tax Expense

Income tax expense increased $0.3 million, or 100%, to $0.6 million for the year ended December 31, 2019 compared to the year ended December 31, 2018 due to increased tax liability related to income generated by our subsidiaries organized under the laws of the Netherlands and Israel.

Non-GAAP Financial Measures

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

Our management uses these non-GAAP financial measures, in conjunction with GAAP financial measures, as an integral part of managing our business and to, among other things: (i) monitor and evaluate the performance of our business operations and financial performance; (ii) facilitate internal comparisons of the historical operating performance of our business operations; (iii) facilitate external comparisons of the results of our overall business to the historical operating.
performance of other companies that may have different capital structures and debt levels; (iv) review and assess the operating performance of our management team; (v) analyze and evaluate financial and strategic planning decisions regarding future operating investments; and (vi) plan for and prepare future annual operating budgets and determine appropriate levels of operating investments.

**Operating Revenue**

We define operating revenue, a non-GAAP financial measure, as total revenue before adding net investment income and before subtracting ceded earned premium. Operating revenue represents revenue generated by our underwriting operations and allows us to evaluate our underwriting performance without regard to changes in our underlying reinsurance structure and the volatility of investment income. We use this performance measure as we believe it gives our management and other users of our financial information useful insight into our underlying business performance. Operating revenue should not be viewed as a substitute for total revenue calculated in accordance with GAAP, and other companies may define operating revenue differently.

The following table provides a reconciliation of total revenue to operating revenue for the periods presented.

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Three Months Ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Total revenue</td>
<td>$ 22.5</td>
<td>$ 67.3</td>
</tr>
<tr>
<td>Ceded earned premium</td>
<td>4.1</td>
<td>11.7</td>
</tr>
<tr>
<td>Net investment income</td>
<td>(1.3)</td>
<td>(3.4)</td>
</tr>
<tr>
<td>Operating revenue</td>
<td>$ 25.3</td>
<td>$ 75.6</td>
</tr>
</tbody>
</table>

**Adjusted Gross Profit and Adjusted Gross Margin**

We define adjusted gross profit, a non-GAAP financial measure, as total revenue excluding net investment income and less other costs of sales, including net loss and loss adjustment expense, the amortization of deferred acquisition costs and credit card processing fees. We define adjusted gross margin, expressed as a percentage, as the ratio of adjusted gross profit to operating revenue. We believe that adjusted gross profit and adjusted gross margin are helpful measures of the amount of variable contribution to our business from insurance operations.
The following table provides a reconciliation of total revenue to adjusted gross profit and the related adjusted gross margin for the periods presented:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2018</th>
<th>Year Ended December 31, 2019</th>
<th>Three Months Ended March 31, 2019</th>
<th>Three Months Ended March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>$22.5</td>
<td>$67.3</td>
<td>$11.0</td>
<td>$26.2</td>
</tr>
<tr>
<td>Net investment income</td>
<td>(1.3)</td>
<td>(3.4)</td>
<td>(0.5)</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Loss and loss adjustment expense, net</td>
<td>(15.2)</td>
<td>(45.8)</td>
<td>(7.9)</td>
<td>(18.2)</td>
</tr>
<tr>
<td>Credit card processing fees</td>
<td>(1.1)</td>
<td>(2.9)</td>
<td>(0.5)</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Amortization of deferred acquisition costs</td>
<td>(0.7)</td>
<td>(2.1)</td>
<td>(0.3)</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Ceding commission earned</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>0.2</td>
</tr>
<tr>
<td>Adjusted gross profit</td>
<td>$4.2</td>
<td>$13.1</td>
<td>$1.8</td>
<td>$5.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2018</th>
<th>Year Ended December 31, 2019</th>
<th>Three Months Ended March 31, 2019</th>
<th>Three Months Ended March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Numerator: Adjusted gross profit</td>
<td>$4.2</td>
<td>$13.1</td>
<td>$1.8</td>
<td>$5.4</td>
</tr>
<tr>
<td>Denominator: Operating revenue</td>
<td>25.3</td>
<td>75.6</td>
<td>12.5</td>
<td>30.5</td>
</tr>
<tr>
<td>Adjusted gross margin</td>
<td>17%</td>
<td>17%</td>
<td>14%</td>
<td>18%</td>
</tr>
</tbody>
</table>

**Adjusted EBITDA and Adjusted EBITDA Margin**

We define adjusted EBITDA, a non-GAAP financial measure, as net loss excluding interest expense, income tax expense, depreciation, amortization, stock-based compensation, and net investment income. We exclude these items from adjusted EBITDA because we do not consider them to be directly attributable to our underlying operating performance. We define adjusted EBITDA margin, expressed as a percentage, as the ratio of adjusted EBITDA to operating revenue. We use adjusted EBITDA and adjusted EBITDA margin as internal performance measures in the management of our operations because we believe they give our management and other customers of our financial information useful insight into our results of operations and our underlying business performance. Adjusted EBITDA and adjusted EBITDA margin should not be viewed as substitutes for net loss calculated in accordance with GAAP, and other companies may define adjusted EBITDA and adjusted EBITDA margin differently.
The following table provides a reconciliation of adjusted EBITDA to net loss and the related adjusted EBITDA margin for the periods presented.

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Three Months Ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Net loss</td>
<td>(52.9)</td>
<td>(108.5)</td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax expense</td>
<td>0.3</td>
<td>0.6</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>0.1</td>
<td>0.6</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>2.1</td>
<td>4.3</td>
</tr>
<tr>
<td>Contribution to the Lemonade Foundation</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net investment income</td>
<td>(1.3)</td>
<td>(3.4)</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>(51.7)</td>
<td>(106.4)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Three Months Ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Numerator: Adjusted EBITDA</td>
<td>$ (51.7)</td>
<td>$ (106.4)</td>
</tr>
<tr>
<td>Denominator: Operating revenue</td>
<td>25.3</td>
<td>75.6</td>
</tr>
<tr>
<td>Adjusted EBITDA margin</td>
<td>(204)%</td>
<td>(141)%</td>
</tr>
</tbody>
</table>

Liquidity and Capital Resources

As of March 31, 2020, we had $304.0 million in cash and short-term investments. From the date we commenced operations, we have generated negative cash flows from operations, and we have financed our operations primarily through private sales of equity securities. Excluding capital raises, our principal sources of funds are insurance premiums, investment income, reinsurance recoveries and proceeds from maturity and sale of invested assets. These funds are primarily used to pay claims, operating expenses and taxes. On April 8, 2019, we entered into a Series D Preferred Stock Purchase Agreement (the "Series D SPA") with new and existing investors. The Series D SPA allowed for the sale of up to 7,107,930 Series D preferred stock at a price per share of $42.21, for a total consideration of approximately $300.0 million ("Series D Preferred Stock"). The initial closing of the Series D funding round was completed on June 26, 2019 providing gross proceeds of $175.0 million. The second closing of the Series D funding round was completed on September 9, 2019 providing gross proceeds of $125.0 million. We believe our existing cash and cash equivalents will be sufficient to meet our working capital and capital expenditures needs over at least the next 12 months.

Our cash flows used in operations may differ substantially from our net loss due to non-cash charges or due to changes in balance sheet accounts. The timing of our cash flows from operating activities can also vary among periods due to the timing of payments made or received. Some of our payments and receipts, including loss settlements and subsequent reinsurance receipts, can be significant. Therefore, their timing can influence cash flows from operating activities in any given period. The potential for a large claim under an insurance or reinsurance contract means that our insurance subsidiaries may need to

107
make substantial payments within relatively short periods of time, which would have a negative impact on our operating cash flows.

We are a holding company that transacts a majority of our business through operating subsidiaries. Consequently, our ability to pay dividends to stockholders, meet debt payment obligations and pay taxes and operating expenses is largely dependent on dividends or other distributions from our subsidiaries and affiliates, whose ability to pay us is highly regulated.

Our U.S. and Dutch insurance company subsidiaries, and our Dutch insurance holding company, are restricted by statute as to the amount of dividends that they may pay without the prior approval of their respective competent regulatory authorities.

Insurance companies in the United States are also required by state law to maintain a minimum level of policyholder's surplus. Insurance regulators in the states in which we operate have a risk-based capital standard designed to identify property and casualty insurers that may be inadequately capitalized based on inherent risks of the insurer's assets and liabilities and its mix of net written premium. Insurers falling below a calculated threshold may be subject to varying degrees of regulatory action. As of March 31, 2020, the total adjusted capital of our U.S. insurance subsidiary was in excess of its respective prescribed risk-based capital requirements.

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

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Three Months Ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018 (in millions)</td>
<td>2019</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>$(40.8)</td>
<td>$(78.1)</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>6.4</td>
<td>(54.0)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>119.9</td>
<td>300.1</td>
</tr>
</tbody>
</table>

**Operating Activities**

Cash used in operating activities was $19.4 million for the three months ended March 31, 2020, a decrease of $1.0 million from $20.4 million for the three months ended March 31, 2019. This reflected the $14.9 million increase in our net loss, including the $12.2 million one-time non-cash share contribution expense, partially offset by increases in unearned premium and unpaid losses and loss adjustment expenses that outpaced the increases in premiums receivable and amounts expected to be recovered from our reinsurance partners. Cash used in operating activities was $20.4 million for three months ended March 31, 2019. This resulted from our net loss of $21.6 million, partially offset by non-cash charges and net cash provided by changes in our operating assets and liabilities. Non-cash charges primarily consisted of non-cash stock-based compensation. Net cash provided by changes in operating assets and liabilities primarily consisted of increases in unearned premiums, unpaid losses and loss adjustment expenses and accrued other liabilities partially offset by increases in premiums receivables and amounts expected to be recovered from our reinsurance partners. The decrease in cash used in operating activities from three months ended March 31, 2020 compared to the three months ended March 31, 2019 was mostly due to the volume and timing of premium receipts and claim payments.

Cash used in operating activities was $78.1 million for the year ended December 31, 2019, an increase of $37.3 million from $40.8 million in 2018. This reflected the $55.6 million increase in our net loss, partially offset by increases in unearned premium, unpaid losses and loss adjustment expenses and accrued other liabilities that outpaced the increases in premiums receivable and
amounts expected to be recovered from our reinsurance partners. Cash used in operating activities was $40.8 million for the year ended December 31, 2018. This resulted from our net loss of $52.9 million, partially offset by non-cash charges and net cash provided by changes in our operating assets and liabilities. Non-cash charges primarily consisted of non-cash stock-based compensation. Net cash provided by changes in operating assets and liabilities primarily consisted of increases in unearned premiums, unpaid losses and loss adjustment expenses and accrued and other liabilities partially offset by increases in premiums receivables and amounts expected to be recovered from our reinsurance partners. The increase in cash used in operating activities from the year end December 31, 2019 compared to the year ended December 31, 2018 was mostly due to the increase in our net loss, partially offset by an increase in current liabilities due to the growth of our business.

**Investing Activities**

Cash provided by investing activities was $23.5 million for the three months ended March 31, 2020 primarily due to the maturity of short-term investments in excess of purchases of fixed income securities. Cash used in investing activities was $10.5 million for the three months ended March 31, 2019 primarily due to the purchases of short-term investments and U.S. government obligations in excess of proceeds from the sale or maturity of fixed income securities.

Cash used in investing activities was $54.0 million for the year ended December 31, 2019 primarily due to the purchases of short-term investments and U.S. government obligations in excess of proceeds from the sale or maturity of fixed income securities. Cash provided by investing activities was $6.4 million for the year ended December 31, 2018 primarily due to the maturity of short-term investments in excess of purchases of fixed income securities.

**Financing Activities**

There were no financing activities in the three months ended March 31, 2020 and 2019.

Cash provided by financing activities was $300.1 million and $119.9 million for the years ended December 2019 and 2018, respectively, which consisted almost exclusively of proceeds from the issuance of preferred stock, net of issuance costs.

We do not have any current plans for material capital expenditures other than current operating requirements. We believe that we will generate sufficient cash flows from operations to satisfy our liquidity requirements for at least the next 12 months. To the extent our future operating cash flows are insufficient to cover our net losses from catastrophic events, we had $311.0 million in cash and investment securities available at March 31, 2020. We also have the ability to access additional capital through pursuing third-party borrowings, sales of our equity, issuance of debt securities or entrance into new reinsurance arrangements.
Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of December 31, 2019:

<table>
<thead>
<tr>
<th>Payments Due by Period</th>
<th>Less than 1 Year</th>
<th>1 to 3 Years</th>
<th>4 to 5 Years</th>
<th>More than 5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total ($ in millions)</td>
<td>$28.2</td>
<td>$18.9</td>
<td>$6.3</td>
<td>$3.0</td>
</tr>
<tr>
<td>Unpaid losses and loss adjustment expense(1)</td>
<td>$10.3</td>
<td>$3.5</td>
<td>$6.2</td>
<td>$0.6</td>
</tr>
<tr>
<td>Operating lease commitments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$38.5</td>
<td>$22.4</td>
<td>$12.5</td>
<td>$3.6</td>
</tr>
</tbody>
</table>

(1) The reserve for losses and loss adjustment expenses represent management's estimate of the ultimate cost of settling losses. As more fully discussed in "Critical Accounting Policies — Unpaid losses and loss adjustment expenses", the estimation of the unpaid losses and loss adjustment expenses is based on various complex and subjective judgments. Actual losses paid may differ, perhaps significantly, from the reserve estimates reflected in our consolidated financial statements. Similarly, the timing of payment of our estimated losses is not fixed and there may be significant changes in actual payment activity. The assumptions used in estimating the likely payments due by period are based on our historical claims payment experience and industry payment patterns, but due to the inherent uncertainty in the process of estimating the timing of such payments, there is a risk that the amounts paid can be significantly different from the amounts disclosed.

The amounts in the above table represent our gross estimates of known liabilities as of December 31, 2019 and do not include any allowance for claims for future events within the time period specified. Accordingly, we expect that the total amounts of obligations paid by us in the time periods shown will be greater than those indicated in the table.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined by applicable regulations of the SEC, that are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP in the United States. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires our management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. We evaluate our significant estimates on an ongoing basis, including, but not limited to, estimates related to unpaid loss and loss adjustment expense, reinsurance assets, stock-based compensation, income tax assets and liabilities, including recoverability of our net deferred tax asset, income tax provisions and certain non-income tax accruals. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

We believe that the accounting policies described below involve a significant degree of judgment and complexity. Accordingly, we believe these are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations. For
further information, see Note 4 — Summary of Accounting Policies in the Notes to Consolidated Financial Statements included elsewhere in this prospectus.

**Unpaid loss and loss adjustment expense**

The reserves for loss and LAE represent management's best estimate of the ultimate cost of all reported and unreported losses and LAE incurred through the balance sheet date. Unpaid losses and LAE are based on the assumption that past developments are an appropriate indicator of future events. The incurred but not reported portion of unpaid losses and LAE is based on past experience and other factors.

The estimate of the unpaid loss and loss adjustment expense relies on several key judgments:

- the determination of the actuarial models used as the basis for these estimates;
- the relative weights given to these models;
- the underlying assumptions used in these models; and
- the determination of the appropriate groupings of similar product lines and, in some cases, the disaggregation of dissimilar losses.

Because actual experience can differ from key assumptions used in establishing reserves, there is potential for significant variation in the development of loss reserves.

For property coverage, the nature of claims is generally a short reporting period with volatility arising from occasional severe events. The process for estimating and recording unpaid losses and LAE is dependent on historical reported claims, industry information, the frequency and latency of claims reported, and assumptions of current environmental factors.
The following tables summarize our gross and net reserves for unpaid loss and LAE as of December 31, 2018 and December 31, 2019, and March 31, 2020, respectively:

<table>
<thead>
<tr>
<th>Loss and loss adjustment reserves</th>
<th>December 31, 2018</th>
<th>Gross</th>
<th>% of total</th>
<th>Net</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ in millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case reserve</td>
<td>$ 4.8</td>
<td>37%</td>
<td>$ 0.8</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>IBNR</td>
<td>8.3</td>
<td>63%</td>
<td>1.0</td>
<td>56%</td>
<td></td>
</tr>
<tr>
<td>Total reserves</td>
<td>$ 13.1</td>
<td>100%</td>
<td>$ 1.8</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loss and loss adjustment reserves</th>
<th>December 31, 2019</th>
<th>Gross</th>
<th>% of total</th>
<th>Net</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ in millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case reserve</td>
<td>$ 11.8</td>
<td>42%</td>
<td>$ 5.8</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>IBNR</td>
<td>16.4</td>
<td>58%</td>
<td>3.9</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Total reserves</td>
<td>$ 28.2</td>
<td>100%</td>
<td>$ 9.7</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loss and loss adjustment reserves</th>
<th>March 31, 2020</th>
<th>Gross</th>
<th>% of total</th>
<th>Net</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ in millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case reserve</td>
<td>$ 15.4</td>
<td>48%</td>
<td>$ 6.4</td>
<td>72%</td>
<td></td>
</tr>
<tr>
<td>IBNR</td>
<td>16.4</td>
<td>52%</td>
<td>2.5</td>
<td>28%</td>
<td></td>
</tr>
<tr>
<td>Total reserves</td>
<td>$ 31.8</td>
<td>100%</td>
<td>$ 8.9</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

We have assessed the impact of potential reserve deviations from our carried reserve at December 31, 2019. We applied sensitivity factors to incurred losses for the three most recent accident years and to the carried reserve for all prior accident years combined. Due to our contractual arrangements with our reinsurers, the sensitivity analysis results in no change to our previous income or stockholders' equity.

The amount by which estimated losses differ from those originally reported for a period is known as “Development.”

Development is unfavorable when the losses ultimately settle for more than the amount reserved or subsequent estimates indicate a basis for reserve increases on unresolved claims. Development is favorable when losses ultimately settle for less than the amount reserved, or subsequent estimates indicate a basis for reducing loss reserves on unresolved claims. We reflect favorable or unfavorable development of loss reserves in the results of operations in the period the estimates are changed.
The following tables summarize our Gross Ultimate Losses and LAE, and Net Ultimate Losses and LAE as of December 31, 2018 and 2019, respectively.

### Gross Ultimate Losses and LAE

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>2018</th>
<th>2019</th>
<th>2018 to 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$4.9</td>
<td>$5.1</td>
<td>$0.2</td>
</tr>
<tr>
<td>2018</td>
<td>28.3</td>
<td>24.9</td>
<td>(3.4)</td>
</tr>
<tr>
<td>2019</td>
<td>N/A</td>
<td>62.9</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td></td>
<td>(3.2)</td>
</tr>
</tbody>
</table>

### Net Ultimate Losses and LAE

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>2018</th>
<th>2019</th>
<th>2018 to 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1.7</td>
<td>1.7</td>
<td>—</td>
</tr>
<tr>
<td>2018</td>
<td>15.2</td>
<td>13.7</td>
<td>(1.5)</td>
</tr>
<tr>
<td>2019</td>
<td>N/A</td>
<td>47.3</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td></td>
<td>(1.5)</td>
</tr>
</tbody>
</table>

### Reinsurance assets

The estimation of reinsurance recoverable involves a significant amount of judgment. Reinsurance assets include reinsurance recoverable on unpaid losses and loss adjustment expenses that are estimated as part of our loss reserving process and, consequently, are subject to similar judgments and uncertainties. This estimate requires significant judgment for which key considerations include:

- paid and unpaid amounts recoverable;
- whether the balance is in dispute or subject to legal collection;
- the financial condition of a reinsurer (i.e., liquidated, insolvent, in receivership or otherwise subject to formal or informal regulatory restriction); and
- the collectability of the reinsurance recovery for factors such as, amounts outstanding, length of collection periods, disputes, any collateral or letters of credit held and other relevant factors.

### Income tax assets and liabilities, including recoverability of our net deferred tax asset

The evaluation of the recoverability of our deferred tax asset and the need for a valuation allowance requires us to weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the deferred tax asset will not be realized. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence is necessary and the more difficult it is to support a conclusion that a valuation allowance is not needed.

We consider a number of factors to reliably estimate future taxable income so we can determine the extent of our ability to realize NOLs, foreign tax credits, realized capital loss and other carryforwards. These factors include forecasts of future income for each of our businesses.
and actual and planned business and operational changes, both of which include assumptions about future macroeconomic and company-specific conditions and events. We subject the forecasts to stresses of key assumptions and evaluate the effect on tax attribute utilization.

On December 22, 2017, the President of the United States signed into law the Tax Act. The legislation significantly changes U.S. tax law by, among other things, lowering corporate income tax rates from 35% to 21%, effective January 1, 2018. GAAP requires companies to recognize the effect of tax law changes in the period of enactment. We evaluated all available information and made reasonable estimates of the impact of tax reform to substantially all components of our net deferred tax assets as of December 31, 2017. We finalized our accounting for the Tax Act during 2018 with no significant impact to earnings or deferred taxes.

**Stock-based compensation**

We account for stock-based compensation in accordance with ASC Topic 718, "Compensation — Stock Compensation". Stock options are mainly awarded to employees and members of our board of directors and measured at fair value at each grant date. We calculate the fair value of share options on the date of grant using the Black-Scholes option-pricing model and the expense is recognized over the requisite service period for awards expected to vest using the straight-line method. The requisite service period for share options is generally four years. We recognize forfeitures as they occur.

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

See Note 16 to our audited consolidated financial statements appearing elsewhere in this prospectus for a complete description of the accounting for stock-based awards.

**Recently Issued and Adopted Accounting Pronouncements**

See "Note 4 — Recent Accounting Pronouncements" in the Notes to Consolidated Financial Statements included in this prospectus for a discussion of accounting pronouncements recently adopted and recently issued accounting pronouncements not yet adopted and their potential impact to our financial statements.

**Quantitative and Qualitative Disclosure About Market Risk**

Market risk is the risk of economic losses due to adverse changes in the estimated fair value of a financial instrument as the result of changes in equity prices, interest rates, foreign currency exchange rates and commodity prices. Our consolidated balance sheets include assets and liabilities with estimated fair values that are subject to market risk. Our primary market risk has been interest rate risk associated with investments in fixed maturities. We do not have material exposure to commodity risk.
We are also exposed to credit risk on our investment portfolio. We manage the exposure to credit risk in our municipal and corporate bond portfolio by investing in high quality securities and diversifying our holdings.

We monitor our investment portfolio to ensure that credit risk does not exceed prudent levels. The majority of our investment portfolio is invested in high credit quality, investment grade fixed maturity securities. As of March 31, 2020, none of our fixed maturity portfolio was unrated or rated below investment grade.

Inflation Risk

Inflationary factors such as increases in overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of operating expenses as a percentage of revenue, if the selling prices of our products do not increase with these increased costs.

Election Under the Jumpstart Our Business Startups Act of 2012

The Company currently qualifies as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Accordingly, the Company is provided the option to adopt new or revised accounting guidance either (i) within the same periods as those otherwise applicable to non-emerging growth companies or (ii) within the same time periods as private companies.

The Company has elected to adopt new or revised accounting guidance within the same time period as private companies, unless, as indicated below, management determines it is preferable to take advantage of early adoption provisions offered within the applicable guidance. Our utilization of these transition periods may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the transition periods afforded under the JOBS Act.
Since the dawn of time, insurance has both propelled progress and been revolutionized by it. Early humans risk-pooled intuitively, earning a claim on communal provisions in bad times by sharing their bounty in good ones. The Agricultural Revolution transformed risk pooling from an adaptive instinct to a facet of trade, with 'assurance' included in loan agreements throughout antiquity. A slew of inventions in the 14th century triggered the Commercial Revolution, which saw the ousting of lenders from insurance, and the inauguration of the first insurance companies. These thrived until the Scientific Revolution, when the discovery of probability theory signaled the toppling of every insurance company that predated it, and the emergence of the insurance dynasties that have reigned ever since.

A new revolution now threatens these hegemons.

The World Economic Forum labeled the transformations we are experiencing today the Fourth Industrial Revolution, and with good reason. The pace and breadth of today's innovations have no historical precedent, and they are spreading at an exponential, rather than linear, pace. As transformative as the prior revolutions were for insurance, there is reason to believe that today's will be even more so. No part of the value chain is immune this time: distribution models, business models, statistical tools, systems of management, cost structures, corporate structures, corporate culture, technology stacks, user experience, marketing channels, data sources, data uses, value propositions, human capital — all these and more are being upended.

Which is why we founded Lemonade.

We wouldn't know how to shepherd incumbents through these momentous changes; nor do we know of a technological solution to their innovator's dilemma. Our analyses led us to conclude that a new kind of insurance company, built from scratch on an unconflicted business model and cutting-edge technology, will enjoy structural advantages that will manifest ever more powerfully over time.

Lemonade aspires to be such a company.

We recognize this is an audacious undertaking, and the journey will be long and bumpy. We are energized by the David vs. Goliath dynamic, and enjoy making things from scratch: brands, experiences, technologies, products, cultures, organizations. But Lemonade is not everyone's cup of tea, which is why we wanted to outline our approach, in the hope that investors who share our thinking will be drawn to Lemonade, while those who do not will seek their fortunes elsewhere.

• **We are committed to planning, but not to plans.** Uncharted territory is just that: we have state-of-the-art kit, an intrepid team and an ambitious destination, but no map. So we explore, probe, and course correct. We think strategically, but are opportunistically opportunistic. Our squads hold daily 'stand-up' meetings, run weekly sprints and measure themselves against quarterly objectives, which in turn reflect our annual targets. These concentric planning cycles keep us on track, but also enable us to change plans from one day to the next. When opportunities present, or competitors react, or new data emerge, the tasks doled out at 'stand-up' the next morning adjust accordingly. That's the plan.

• **We are short term patient, but long term greedy.** We believe opportunities such as ours are rare and fleeting. Industries like insurance are reinvented once every few centuries. Optimizing for profitability is important, but can wait; we aim to first grow fast and capture as much market share, mind share, and as large a geographical footprint as possible. If we were to reverse that, we would have a finely honed business, but would risk losing
the market. That does not mean our bottom line does not guide or constrain us — it absolutely should and does. We do not launch products, open territories, or sell policies we believe will be a long-term drain, rather than a long-term gain. But the key phrase is 'long term.'

• **We are risk takers, not thrill seekers.** We endeavor to be driven by data, not emotions. But data are invariably incomplete, and while waiting for more data decreases error rates, it also blunts potential upside. We prefer to make decisions under conditions of uncertainty, and to abandon bad bets as soon as the data reveal them to be so. That translates into greater volatility, but also to better aggregate returns. It's a trade we are comfortable making.

• **We are transparent, except when we are not.** We will explain why we zig or zag, and be forthright about our past mistakes and future plans, except when revealing that information might hurt the business and its disclosure is not required by law. By disposition we are transparent, and default to sharing more rather than less. But we know that transparency is subject to diminishing returns, and at some point, negative returns. We try to be guided by that.

• **We see our job as value creation, not share price maximization.** We are not interested in our share price on a day to day, week to week or month to month basis. On these timescales share prices fluctuate for a myriad of reasons, some correlated with long term value creation, others uncorrelated, yet others inversely correlated. Success will reflect itself in our share price in the fullness of time, but short-term price flutters are noise, and we will not credit them as signals.

• **We believe values add value.** Lemonade is a Public Benefit Corporation, meaning that while we are about profit maximization over the long run, that is not all we are about. Our business decisions consider the greater good, and the value we are looking to create is measured in many currencies, money being but one of them. In any event, we reject the dichotomy between doing well and doing right. Ours is a world of increasing abundance, with consumers climbing ever higher on Maslow’s hierarchy of needs. Lemonade users, by definition, already have a roof over their heads, so even as we protect their homes, we also want to enrich their sense of community, esteem, and self-actualization. These transform a transactional relationship into a meaningful one, a rarity in insurance. Increasingly, we believe, brands that exist narrowly for profit maximization will not even achieve that. In the 21st century, creating value requires a concomitant commitment to values.

The contest to be the preeminent insurance brand of the next century is just getting started, and for the first time in a long time, the title seems up for grabs. We have assembled a deft team, we are armed with the latest tech, and the winds of change are at our backs. None of these guarantee success, of course, and our competitors are entrenched and truly formidable. But we like our chances. After all, such has been the story of insurance since the dawn of time.

Daniel & Shai
BUSINESS

Our Mission

Harness technology and social impact to be the world's most loved insurance company.

Overview

Lemonade is rebuilding insurance from the ground up on a digital substrate and an innovative business model. By leveraging technology, data, artificial intelligence, contemporary design, and behavioral economics, we believe we are making insurance more delightful, more affordable, more precise, and more socially impactful. To that end, we have built a vertically-integrated company with wholly-owned insurance carriers in the United States and Europe, and the full technology stack to power them.

A two minute chat with our bot, AI Maya, is all it takes to get covered with renters or homeowners insurance, and we expect to offer a similar experience for other insurance products over time. Claims are filed by chatting to another bot, AI Jim, who pays claims in as little as three seconds. This breezy experience belies the extraordinary technology that enables it: a state-of-the-art platform that spans marketing to underwriting, customer care to claims processing, finance to regulation. Our architecture melds artificial intelligence with the human kind, and learns from the prodigious data it generates to become ever better at delighting customers and quantifying risk.

In addition to digitizing insurance end-to-end, we also reimagined the underlying business model to minimize volatility while maximizing trust and social impact. In a departure from the traditional insurance model, where profits can literally depend on the weather, we typically retain a fixed fee, currently 25% of premiums, and our gross margins are expected to change little in good years and in bad. At Lemonade, excess claims are generally offloaded to reinsurers, while excess premiums are usually donated to nonprofits selected by our customers as part of our annual "Giveback". These two ballasts, reinsurance and Giveback, reduce volatility, while creating an aligned, trustful, and values-rich relationship with our customers. See "— Our Business Model" and "— Our Product Offerings — Giveback Feature."

Lemonade's cocktail of delightful experience, aligned values, and great prices enjoys broad appeal, while over indexing on younger and first time buyers of insurance. As these customers progress through predictable lifecycle events, their insurance needs normally grow to encompass more and higher-value products: renters regularly acquire more property and frequently upgrade to successively larger homes; home buying often coincides with a growing household and a corresponding need for life or pet insurance, and so forth. These progressions can trigger orders-of-magnitude jumps in insurance premiums.

The result is a business with highly-recurring and naturally-growing revenue streams; a level of automation that we believe delights consumers while collapsing costs; and an architecture that generates and employs data to price and underwrite risk with ever-greater precision to the benefit of our company, our customers and their chosen nonprofits.
This powerful trifecta, delightful experience, aligned values, and great prices, has delivered rapid growth alongside steadily improving results:

Since our launch in late 2016, our gross written premium ("GWP") grew from $9 million in 2017, to $47 million a year later, and to $116 million in 2019. For the three months ended March 31, 2020, our GWP was $38 million. In parallel, our net losses per dollar of GWP dropped from over $3 in 2017 to under $1 both in 2019 and for the three months ended March 31, 2020. Our revenue was $2 million, $23 million, and $67 million in 2017, 2018 and 2019, respectively, and our net losses were $28 million, $53 million, and $109 million, respectively. For the three months ended March 31, 2020, our revenue was $26 million and our net losses were $37 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Components of Our Results of Operations — Revenue — Gross Written Premium."

In parallel to this growth of topline and increasing efficiencies, our gross loss ratio declined steadily from 161% in 2017, to 113% in 2018, to 79% in 2019 and to 72% for the three months ended March 31, 2020. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Operating and Financial Metrics."

Why We Love Insurance

Insurance is one of the largest industries in the world. Property, casualty, and life insurance premiums amount to approximately $5 trillion globally, and account for 11% of gross domestic product in the United States.

The scale of the industry is an indicator of the essential role insurance plays in our economy and society. Most homes, cars, and businesses in the United States have some type of insurance coverage. Laws, lenders, and landlords often mandate insurance, making it a non-discretionary product that remains largely unaffected by economic cycles. We believe people typically buy insurance for their entire adult life, producing highly-recurring and naturally-growing participatory revenue streams.

These dynamics have produced large, enduring businesses. In the United States, 12 of the Fortune 100 companies are insurance companies, and their average age is about 125 years old. More remarkably, while the world’s top insurance companies each generate over $100 billion in revenue, no single company has a market share greater than 4%, underscoring the sheer scale of the industry.

Insurance is, at its core, a social good. At a mathematical level, insurance is about a community of people pooling their monies to help their more unfortunate members in their hour of need. This safety net affords individuals the peace of mind they need to buy a home, go on vacation or open a business. Put differently: insurance allows people to trade the risk of a disastrous loss in the future for the certainty of an affordable loss now. It is a trade that enables the very fabric of contemporary society.
Why We Love Technology

Technology pushes the frontier of what is possible. It changes what we can measure, the efficiency with which we work, and the speed with which we communicate. As our capabilities advance, consumers come to expect and demand more. Measurement begs for personalization; efficiency calls for lower prices; speed demands better service. Experiences that once seemed reasonable, turn frustrating.

These unrelenting forces have transformed industry after industry, and are poised to do the same for insurance. Incumbents are wise to this, and work valiantly to graft new technologies onto their established businesses. But generations of legacy make that hard: vast networks of brokers, decades of cumulative investment in disparate IT systems, corporate cultures adapted for legacy preservation rather than business transformation and policy-centric rather than customer-centric organizations. Each has their historical reasons, but all seem maladapted today.

This divergence of fortunes — amazing industry, encumbered incumbents — creates space for a new kind of insurance company, one built from scratch on a digital substrate, a contemporary business model and no legacy. It is this secular shift that our strategy is designed to exploit.

Our Strategy

We seek to capitalize on the structural advantages inherent in being a digitally-native, customer-centric, and vertically-integrated insurance company by:

1. Harnessing our delightful experience, aligned values, and advantaged cost structure to appeal to consumers broadly, and particularly to the next generation of consumers, whom incumbents struggle to serve;

2. Then growing with those customers as their insurance needs increase naturally and substantially;

3. All the while leveraging our closed-loop system, by which copious amounts of data we generate make our business ever faster, cheaper, and more precise, to further delight consumers and extend our competitive advantage.

Appeal to the Next Generation of Consumers

While the rest of the industry typically appeals to established consumers with the 'I switched and I saved' value proposition, we are largely competing with non-consumption, attracting consumers incumbents want, but doing so years before they are ripe for legacy providers.

Approximately 70% of our current customers are under the age of 35, and about 90% of our customers said they were not switching from another carrier. Based on a Google survey, less than four years after our launch, our market share among first time buyers of renters insurance in New York appears to have overtaken that of most leading incumbents. We have achieved this outsized share among newer cohorts through a three-pronged consumer value proposition: delightful experience, aligned values, and great prices. See "Market and Industry Data — Google Survey Data."

Delightful Experience

We bring insurance to the mobile-first, digitally-native world. Our playful bots make for a fun and intuitive interaction at any age, all the more so to a generation that grew up with a smartphone. The median time to get a bindable renters insurance quote from Lemonade is under two minutes, and it's under three minutes for a homeowners quote. Claims are also filed through our app, which our claims-bot pays in as little as three seconds.
Companies built on human brokers and claims agents have many strengths, no doubt, but appealing to millennials and Gen Zers is not chief among them.

**Aligned Values**

Our status as a Certified B Corp and our commitment to aligning incentives through social impact serve as the foundation for our fundamentally reimagined relationship with our customers. Thanks to our reinsurance agreements, we typically retain a fixed fee, currently 25% of premiums, and we expect our gross margins to change little even in years with heavy claims. If money is left over after paying claims, we give back excess funds to nonprofits selected by our customers, ensuring that we minimize any incentive to deny legitimate claims. This alignment of incentives and values enjoys universal appeal, but is especially potent among younger consumers who are particularly distrustful of institutions and committed to interacting with brands whose values align with their own.

**Great Prices**

Architected from the ground up to be direct, fully digital, highly automated and constantly learning, our technology allows us to target, convert, and serve customers more efficiently than the typical incumbent. This structural cost advantage is especially pronounced in entry-level renters insurance, where operational costs for incumbents can eclipse claims cost as a percentage of premiums. Given these inbuilt advantages, the minimum premiums for our entry-level renters insurance is typically 50% cheaper than the minimum premiums of incumbents, a huge advantage when competing for younger, more price-sensitive consumers.

In the United States, insurance pricing must be approved by regulators who seek to ensure policies are not sold below cost. This means that our structural cost advantage cannot be blunted by competitors simply through subsidies.

**Grow With Our Customers**

We currently spend $1 in marketing to generate more than $2 of in force premium ("IFP"), which has been approximately equal to annualized GWP. For information regarding how we calculate IFP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Operating and Financial Metrics — In Force Premium." Given our subscription-based model, we believe that the lifetime value of our customers is significantly higher than our cost of acquiring them, and our ability to acquire them earlier, at a stage that incumbents struggle to, should pay dividends for decades to come.

Unlike many other products or services, the need for insurance grows in line with the wealth and age of its customers, as accumulated assets and growing responsibilities naturally translate into higher insurance spend. One illustration of this trend is how, on average, our renters insurance customers steadily increase spending on their renters insurance policy with us over time. As
illustrated below, customers who bought Lemonade renters insurance three years ago spend 56% more on their renters insurance now than when they first joined.

Customers’ increased spending on their renters insurance over time

This germination can be observed across our book of business, spurred by the accumulation of wealth people typically enjoy during their working years. According to the Federal Reserve, the median net worth of an adult American under the age of 35 is about $11,000. By their 40s and 50s, their net worth has grown by 10 to 15 times, and that growth peaks at 25 times after the age of 75. This propensity towards asset accumulation is reflected in our numbers. As of March 31, 2020, the median age of a Lemonade customer with an entry level $60 a year policy — corresponding to $10,000 of possessions — is about 30 years old. This climbs towards 40 for customers with policies of about $600, and among the handful of customers paying approximately $6,000 a year, the median age is about 50.

Further demonstration of this progression is found in a phenomenon we call "graduation," which is when a customer upgrades their policy from a Lemonade renters policy to a Lemonade condo or homeowner policy. As of March 31, 2020, we had 12,445 customers of condo insurance policies, 10% of whom had graduated with us from a renters policy, a percentage that has grown steadily over the life of the company. For information on our total customers, see "Management's
We believe graduation improves unit economics dramatically, as premiums jump several fold with virtually no incremental cost to acquire the additional premiums. The average renter pays us nearly $150 per year, and that jumps to around $900 for owners of homes and condos.

Given how time spent as a Lemonade customer correlates to higher spend, long term customer retention can be particularly rewarding. While we have been in market for less than four years, there are multiple indicators of our ability to delight customers, which we believe will translate into advantaged retention rates:

• We achieved a net promoter score ("NPS") of above 70 in an industry that typically scores much lower. For reference, global NPS standards classify an NPS of 50 as excellent and an NPS of 70 as world-class, and many of the world's largest financial institutions have single digit or negative NPS. NPS is a customer satisfaction and service quality metric based on a single survey question that asks customers how likely they are to recommend the service to a friend or colleague. Customers respond using a numeric scale of zero to 10. The final NPS ranges from −100 to +100, and is calculated by subtracting the percent of detractors (those who respond with a six or lower) from the percent of promoters (those who respond with nine or 10).

• We routinely rank first on prominent customer review sites, out of hundreds of providers of renters and homeowners insurance. For example, Clearsurance, an independent marketplace where consumers review insurance providers, designated Lemonade 2020's Consumers Choice Renters Insurance. The consumer publication U.S. News and World Report has similarly crowned us the Best Renters Insurance for 2020. As of the date of this prospectus, Clearsurance also ranks us as the top rated insurance provider by U.S. consumers, in both the renters and homeowners categories.

• As of the date of this prospectus, our app is graded 4.9 out of 5.0 on Apple's app store, placing us above some of the most highly regarded consumer technology apps, including Amazon, Netflix, Spotify and Uber, in customer satisfaction.

• Our customers tweet about Lemonade in a tone and volume unprecedented in insurance. One study concluded that "In an industry where most insurance companies
receive less than 1% of their traffic from social media, lemonade.com is a clear outlier with over 17% of their traffic coming this way in 2017. Traffic, in the context of this study, means the number of users who visited a website on an annual basis. We believe that this positive feedback on social media is indicative of higher customer satisfaction levels and is a leading indicator of higher customer retention.

Our favorable rankings against industry benchmarks, including customer reviews, social media and NPS, bode well for our ability to match, if not outpace, the strong retention metrics common in our industry.

Capitalize On Our Closed-Loop System

We operate our own full-stack P&C insurance carriers in both the United States and Europe, built on top of a unified, proprietary, state-of-the-art technology platform. This vertical integration not only affords us an advantage in cost and speed, but creates a system that learns as it goes, extending these advantages with every rotation of the flywheel.

Our digital platform is designed to delight consumers, fueling rapid growth, which spawns highly predictive data, that our machine learning crunches to make our platform even better at evaluating risk and delighting consumers, fueling further growth ... and so on.

Case in point: a standard home insurance policy in the United States is based on a form with between 20 and 50 fields (name, address, birthday ... etc.), and thus, a typical broker-based insurance company will generate between 20 and 50 data points per policy. We developed a fundamentally different approach to customer onboarding, leveraging our digital substrate and chatbots to do away with forms altogether. Replacing brokers with bots brings conspicuous
advantages in terms of cost and speed, and inconspicuous advantages in terms of data: AI Maya typically asks only 13 questions before giving a bindable quote for home insurance, but the interaction generates close to 1,700 data points.

When interacting with a human insurance broker, customers emit countless valuable signals, but we believe key elements of these data are not captured in a usable format. For example, a broker may notice that some customers read the policy before signing, while others do not; some do not ask questions before buying, others ask smart questions, yet others ask dubious questions; some come back multiple times before committing, while others seem to purchase impulsively ... and so on. These and other signals may correlate strongly with claims, but in a broker-based interaction many go unrecorded, if not unobserved. Not so in a company built on a digital substrate. At Lemonade, every key facet of the interaction is logged, the data aggregated, and they are then mined for correlations to claims.

The power of our system goes beyond the sheer tonnage of data it generates, as we are able to put data to work in ways we believe, based on the experience of our management in the insurance industry, that legacy systems cannot. Our systems are entirely integrated, so data generated in a customer support interaction can inform the claims process, while claims data routinely impacts marketing campaigns, and so forth. Likewise, our bots do not merely collect data, but also adapt in real time in response to the data they collect.

The power of big data and machine learning is evident across the modern economy, but there is reason to believe their impact on insurance will run deeper than elsewhere. On ecommerce sites, for example, artificial intelligence can help recommend a new camera, but the device that arrives 2 hours later is indistinguishable from the one being sold on main street. Algorithms propose songs and movies on entertainment apps, but Sgt. Pepper sounds the same today as it did in 1967. In short, most industries ultimately sell either atoms or electrons, and these are largely impervious to machine learning. The core product of insurance is different: it is a probability algorithm, and data and artificial intelligence can absolutely transform algorithms. In insurance, data science is not helpful to the business, it is the business.

This feedback loop — **delighted consumers drive growth, generating big data that feed machine learning, which improves the platform to the delight of consumers** — is visible in the continuous improvement in our key performance indicators since our launch:

- Our gross loss ratio has declined by 296 percentage points from the first quarter of 2017 to the first quarter of 2020, even as the compounded annual growth rate ("CAGR") of our IFP over this period was more than 450%.

- During the period from January 2017 to March 2020, our Premium per Customer ("PPC") for new renters insurance policies has increased 91%, even as the conversion rate for these policies grew by 65% (quote to purchase).

One would expect growth and risk to be inversely correlated. To acquire more customers, most companies are forced to become less discerning, causing them to pay for that topline growth with a deteriorating loss ratio. Similarly, average price and conversion rates live in tension, as it is usually lower prices that drive higher conversion. Seeing growth, risk, customer premiums, and conversion all improve dramatically and concurrently suggests that our machine may be working in ways not typically experienced by traditional players.

Incumbents typically release improvements to their system's software a handful of times a year, whereas we averaged five code releases per day in 2018, eight per day in 2019, and about fourteen daily releases so far in 2020. Our ability to iterate on our technology with such frequency means that we can promptly and efficiently modify customer onboarding questions, underwriting guidelines, claims handling and other elements of our platform, thereby enabling us to respond to
changes in customer needs and market conditions at a faster rate than traditional insurance incumbents. This accelerating flywheel demonstrates our deep structural differences, and suggests the already palpable gap is more likely to expand over time rather than to contract.

Our Business Model

At the foundation of our business model is a direct, digital, customer-centric experience that delivers rapid growth and strong retention. Our customer centricity runs deep, and our underlying business model is designed to align interests between us and our customers. This technology-first customer acquisition and retention strategy, combined with our unconflicted business model, results in a highly attractive financial model.

We leverage technology in everything we do. More than 93% of homeowners insurance policies in the United States are sold via agents, making a platform that finds, onboards, and digitally serves consumers end-to-end very much an outlier. Our digital substrate enables us to integrate marketing and onboarding with underwriting and claims processing, collecting and deploying data throughout, to constantly drive efficient customer acquisition, enhance the experience, and mitigate risk. This approach results in significant, rapid scale without forfeiting the customer experience.

To align our interests with those of our customers, encourage good behavior and build a long-term relationship based on mutual trust, we endeavor to decouple our financial incentives from variability in claims. We typically retain a fixed fee, currently 25% of premiums, leaving the remainder for claims (including reinsurance), and we ‘Giveback’ any residual amount to nonprofits of our customers’ choosing. Unlike our competitors, we minimize any incentive to deny legitimate claims as we aim to give back, rather than pocket, leftover monies. Our reinsurance contracts serve to protect our fixed fee, by ensuring that volatility in claims is primarily borne by our reinsurance partners. See "Risk Factors — Risks Relating to Our Business — Reinsurance may be unavailable at current levels and prices, which may limit our ability to write new business. Furthermore, reinsurance subjects us to counterparty risk and may not be adequate to protect us against losses, which could have a material effect on our results of operations and financial condition."

After our customers purchase a policy, we ask them to designate a charitable cause for us to support with the residual premiums from their policy. As a result, we believe customers are less inclined to embellish claims as they would be hurting a nonprofit they care about, rather than an insurance company they do not.

Strong retention rates and a subscription-based model create highly-recurring and naturally-growing revenue streams, ensuring stability in our top-line results. Our reinsurance construct, in turn, largely eliminates the bottom-line volatility inherent in traditional insurance companies, where profits quite literally depend on the weather. With our reinsurance agreements offloading residual claims, and our Giveback policy offloading residual premiums, we have two powerful ballasts that create a relatively stable and predictable adjusted gross margin.

This combination of a customer-focused onboarding experience, a customer-aligned business model, and a revenue stream that grows alongside our customers’ insurance needs, has created a sustainable financial model that we are proud of. Over time, we believe our platform will continue to efficiently acquire new customers and give us the ability to service their growing needs at a lower cost, and with higher satisfaction levels, than the industry at large.
Our Technology

Data Advantage

The birth of modern statistics is usually dated to 1662, when John Graunt calculated the probabilities of Londoners surviving to a given age. Lloyd's of London started shortly thereafter, and insurance and statistics have co-evolved ever since. Right up to the end of the 20th century, insurance companies were the bastions of the world's data and home to its greatest statisticians. But in the 21st century, supremacy in data and statistics has moved to tech companies, throwing into sharp relief one of the structural challenges traditional insurers face.

It is not that incumbents cannot hire data scientists and machine learning experts. It is that these experts' power lies in their ability to extract prophetic insights from inhuman quantities of data. Broker-based insurance companies and patchwork legacy systems were never architected to capture big data, nor to fully leverage and deploy the insights these can generate. Lemonade was.

Our proprietary and entirely integrated technology stack is thus a key enabler of our strategy and business model. Interactions with our customers across our platform generate a trove of data, which in turn improves interactions with our customers across our platform.

AI Maya

AI Maya, our playful onboarding and customer experience bot, uses natural language to guide customers through an easy and fun process of joining Lemonade. Maya handles everything from collecting information and personalizing coverage to creating quotes and facilitating payments securely. By asking customers a limited number of high-impact questions, and adapting based on their responses, AI Maya is able to dramatically reduce onboarding times while still collecting and utilizing the data that is central to our continuous improvement.
AI Jim is our claims bot, and, as of March 31, 2020, 96% of the time, it is AI Jim that will take the first notice of loss from a customer making a claim. AI Jim handles the entire claim through resolution in approximately a third of cases, paying the claimant or declining the claim without human intervention (and with zero claims overhead, known as loss adjustment expense, or LAE). AI Jim assigns claims he is not authorized to settle, or ones where he identifies concerns, to human claims experts, analyzing each expert's specialty, qualifications, workload, and schedule to determine to whom to assign the claim. Even where human escalation is needed, AI Jim will have done much of the heavy lifting so our team can settle claims and support customers in their hour of need as quickly and smoothly as possible.
The claims process represents the most acute pain point in the insurance experience, and it is where animosity toward the industry is most commonly cultivated. Re-imagining claims for the benefit of the customer, by aligning interests and incentives and by removing friction, hassle, cost, and delays, is therefore a key driver of our leadership in customer satisfaction.

**CX.AI**

CX.AI is our bot platform built to understand and instantly resolve customer requests without human intervention. About a third of all customer inquiries are handled this way. Customers often require assistance pre- or post-purchase, ranging from coverage questions to performing changes to their policy, such as adding a spouse, updating coverage amounts, changing payment methods, and adding newly purchased items. CX.AI uses Natural Language Processing to analyze and understand customers’ requests, helping them perform a growing set of tasks.

The efficiency boost CX.AI delivers is exemplified by its impact on 'moving' tickets. Up until December 2018, a large number of support tickets handled by our human CX (Customer Experience) team were requests related to customers moving to new apartments or homes. Once CX.AI learned to handle moving requests, we saw an 87% drop in the number of moving-related tickets handled by humans. CX.AI understands what customers are saying, asks for the information it needs, and takes it from there: canceling the existing policy when the time is right, evaluating the risk of the new address, transferring all customized coverages to the new policy, pricing it, processing the payment, and sending the new policy to the customer by email. The process takes a few seconds. This story has repeated itself time and again across different customer inquiries, so that while only 6% of support requests were resolved by CX.AI as of December 31, 2017, that percentage increased fivefold in just over two years, to 32%.

Our customer-facing technologies, AI Maya, AI Jim, and CX.AI deliver a superior experience at a fraction of the cost, all the while collecting and utilizing far more data than their human counterparts. A similar construct powers the rest of the company.
Our ‘behind the scenes technology’ is driven by three key proprietary applications: Forensic Graph, Blender, and Cooper.

**Forensic Graph**

Forensic Graph utilizes the combined power of behavioral economics, big data, and AI to predict, deter, detect, and block fraud throughout the customer engagement. The FBI estimates that insurance fraud in the United States (excluding health insurance fraud) costs more than $40 billion per year, or $400 to $700 per family, in increased premiums. It is a complicated problem to solve for traditional insurers, mostly due to data paucity. Forensic Graph tracks untold signals and analyzes relationships between things which may appear trivial or invisible to humans, but in which our machine learning uncovers complex multivariate links that have helped us avoid millions of dollars’ worth of potential losses.

**Blender**

Blender is a robust insurance management platform that we built with customer centricity and exponential efficiency in mind. This is a built-from-scratch, cutting edge backend system, designed as a single, cohesive, and streamlined management tool for our customer experience, underwriting, claims, growth, marketing, finance, and risk teams. When a claims experience specialist logs in to Blender, for example, they instantly see all claims assigned to them by AI Jim. Blender then provides them with instructions for next steps, and when possible, includes coverage determinations, and alerts of suspicious activity. Critically, they will also see an extraordinary amount of information about the users’ behavior patterns and their claim, background information, risk indicators, insurance history, and much more. If a vendor is needed, for example, to assess the damage, all appropriate suppliers will pop up in Blender, and can be dispatched to the field, and paid, at the push of a button. Blender brings similar integrated, customer-centric, and focused workflows to the other Lemonade teams as well.

**Cooper**

Cooper is our internal bot (we like to think of him as our own Jarvis) who runs important parts of our company. Cooper handles complex as well as repetitive tasks, from helping our customer experience team handle lengthy, manual processes such as processing paper cheques, to automatically running tens of thousands of tests on each release of our software. Cooper continuously analyzes spectrometry imaging beamed from NASA’s satellites, identifying wildfires in real time and blocking ads and sales in the affected areas; Cooper collates and formats materials for our regulatory filings; and he even handles most of our engineering task allocation, code deployment, Q&A, and more. Cooper makes our team dramatically more efficient and keeps evolving and learning with time.

Forensic Graph, Blender, and Cooper, together with AI Maya, AI Jim, and CX.AI, run atop our Customer Cortex. The Customer Cortex, like a central nervous system, is the place where all data about our customers is transmitted, continuously analyzed, and then used by all six applications.

**Growth Opportunities**

**Acquire more customers**

About 90% of our current customers said that they were not switching to Lemonade from another carrier. We are well positioned to grow our customer base by continuing to attract first time buyers, an underserved population replenishing every year. This is a segment where we enjoy structural advantages that have allowed us, less than four years since our launch, to leapfrog many
legacy providers and become one of the top market share leaders for new renters in our first state, New York, based on a Google survey. See "Market and Industry Data — Google Survey Data."

Our delightful experience and competitive pricing also attract customers who switch from their existing carriers. Our bot automatically files the necessary paperwork to cancel a customer's old policy, removing what is typically a barrier to switching. As we continue to strengthen brand recognition and execute our marketing strategy, we will look to increase the number of customers migrating to the Lemonade platform.

**Grow within our existing customer base**

As our customers move up the economic ladder and through lifecycle events, their insurance needs evolve to higher value products: renters continuously acquire more property and frequently upgrade to successively larger homes. Growing households often need life insurance or pet insurance. These progressions regularly trigger orders of magnitude jumps in insurance premiums. We aim to provide an unmatched user experience in order to retain customers throughout their lifespan, expanding their lifetime value without incurring any incremental costs of acquisition.

**Expand to new products**

Our strategy of **growing with our customers** also lends itself to expanding into new lines of insurance, as lifecycle events trigger the need for additional insurance products.

Our regulatory framework, technology stack, and brand are all extensible to new lines of insurance, and we anticipate that these will contribute to our growth in the future. In February 2020, we announced our intention to launch pet insurance this year.

**Expand to new geographies**

We acquired our first customer in New York in late 2016, and within three-and-a-half-years captured approximately 7% of the New York renters insurance market while expanding our reach to dozens of states across the United States. As of March 31, 2020, we were licensed to operate in
states covering 93% of the U.S. population, and were actively selling policies in states covering approximately 75% of the U.S. population. Our strong brand and unique business model drive rapid growth and allow us to quickly gain share in new markets. We also hold a pan European license, allowing us to passport into and sell in 31 countries across Europe, and commenced operations in Germany on June 11, 2019, and in the Netherlands on April 2, 2020.

The Lemonade platform is inherently multilingual and agile by design, so that we can effortlessly expand into new markets and new products both within the United States and internationally. Our two largest markets today, Texas and California, have zero Lemonade employees in-state, underscoring the highly scalable nature of our business. Consequently, we have a unique opportunity to leverage our technology to rapidly and seamlessly reach customers in new geographies.

**Our Product Offerings**

**Renters and Homeowners Insurance**

We currently offer our products to renters and homeowners in the United States and contents and liability insurance in Germany and the Netherlands. The insurance we offer in the United States covers stolen or damaged property, and also covers personal liability, which protects our customers if they are responsible for an accident or damage to another person or their property. In a number of states, we also offer landlord insurance policies to condo and co-op owners who rent out their property less than five times a year to protect their real and personal properties. We are currently licensed to conduct our insurance business in 40 states of the United States and we operate in 28 of those states, including Washington, D.C., which are home to approximately 75% of the U.S. population. We currently hold a pan-European license, which allows us to sell in 31 countries across Europe.

The full Lemonade experience is available through our iOS and Android app, as well as through our website. Before a customer purchases one of our policies, we allow the customer to review a summary of their coverage and a sample policy. We also enable the customer to reconfigure their coverage and other policy settings, such as the deductible and start date. After payment via a credit or debit card, we instantly issue the customer their policy documents and send it to them via email. From start to finish, the entire process is completed digitally.

Our products automatically cover all residents of a household who are related to the customer by marriage, blood, or adoption. In addition to the base coverage we offer for personal property, electronics, furniture, and clothing, our customers can purchase extra coverage to protect against accidental loss, damage, and theft, worldwide, of their jewelry, fine art, and other personal property.

**Giveback Feature**

Giveback is a distinctive feature, whereby each year we aim to donate leftover money to causes our customers care about. After our customers purchase a policy, we ask them to select, from a pre-vetted list, a charitable cause for us to support with the residual premiums from their policy. Behind the scenes, customers who select the same charitable cause are classified as members of the same "cohort." Once a year we look at the loss ratio of each cohort, and provided that we pass the financial ratio tests required by our regulators, we aim to donate the funds remaining, if any, to the charitable cause selected by that cohort. Cohorts with a loss ratio above 40% usually will not receive a Giveback.

The Giveback is paid only if payment is authorized by Lemonade Insurance Company's board of directors in its sole discretion and consistent with its duty of care. See "Risk Factors — We could be forced to modify or eliminate our Giveback, which could undermine our business model and
have a material adverse effect on our results of operations and financial condition." Our 2019 annual Giveback for the 12 month period ended June 30, 2019 amounted to about 1.5% of earned premiums. We calculate our annual Giveback on each anniversary of our primary reinsurance contract. The Giveback is not a contractual obligation of ours to any customer or to any cause, and customers cannot take a tax deduction on account of the donations.

We have informed, and intend to continue to inform, each customer of the amount donated to their selected nonprofit during each Giveback on an annual basis. As part of our 2019 annual Giveback, we donated over $600,000 to 26 nonprofit organizations selected by our customers, including Teach for America, charity: water, and UNICEF, among others. Our 2018 annual Giveback provided over $150,000 to 15 nonprofit organizations, while our first annual Giveback in 2017 provided over $50,000 to 14 nonprofits.

Although new and untested, we believe that donating a portion of the money left over after paying claims to nonprofits will discourage fraud and promote greater trust between us and our customers.

Our Vertically-Integrated Platform

Sales and Marketing

Our goal is to increase brand awareness and the number of customers migrating to our platform by utilizing a number of marketing channels to aid our direct-to-consumer sales model. Our primary channel of advertisement is the internet, where we promote our ads and services through various media and social media platforms, including Facebook and Instagram. We also use the data generated in customer support interactions to constantly refine and improve our marketing campaign. We conduct drip campaigns via email to follow-up with those who have inquired about us or started the on-boarding process. Additionally, we enter into agreements with parties who have access to potential customers, including insurance agencies, apartment building owners, and property management companies. In a notable example, last year we entered into a co-marketing agreement with GEICO Insurance Agency, whereby in designated markets GEICO may sell our renters insurance.

Underwriting

Our digital platform enables us to ask fewer questions of our customers but derive many times more data points from each customer interaction than our competitors do. To date we have collected over 2 billion data entries, a trove that grows by the minute. Applying machine learning to these data allows us to identify predictive patterns, and these inform our underwriting. Our underwriting process involves collecting this information, classifying and evaluating each individual risk exposure, assessing the impact of the risk on our existing portfolio, and pricing the risk accordingly.

Claims Process

Powered and driven by our technology, our claims process is conducted via our digital platform, which includes our iOS and Android mobile apps. Claims can be substantiated with receipts, notes of where and when the item was purchased, and in certain cases, police reports. We also ask the customer to record a video explaining their claims to enhance the claims review process. After the customer completes a claim report on our mobile app, the customer is asked to enter bank account wire information. If the claim is approved, a payment is issued and deposited directly into the customer's account. Claims are commonly paid and declined through our claims-bot, AI Jim, within seconds.
While a meaningful portion of simple theft claims are paid almost instantly, in many cases the incident is also reviewed by a human before the claim is approved, and certain property damage claims or liability claims may take longer to settle. In an event that requires immediate assistance or temporary housing as a result of fire, ongoing water damage, or any other structural damage that leaves the customer's home exposed, we contact the customer to assess the situation and provide emergency services, such as water or fire damage cleanup, temporary housing, or a designated specialist.

**Reinsurance**

Insurance often produces businesses with highly recurring revenue streams, and hence predictable top lines, but with significant bottom-line volatility, as profits can literally fluctuate with the weather. Earthquakes, hailstorms, wildfires and hurricanes strike with caprice, and can push an otherwise profitable business deep into the red with little or no warning.

The first-order consequence of this uncertainty is that insurers often see unwelcome swings in their results. The second-order consequence is that regulators require insurers to keep significant reserves to absorb these swings, making them capital intensive. In defiance of these industry norms, we set out to architect our business to be at once capital-light and possessed of predictable and growing gross margins. Through judicious use of "reinsurance," we believe we have largely achieved these goals.

Reinsurance is a financial instrument under which one insurer, the "reinsurer," agrees to cover a portion of the claims of another insurer, the "primary insurer," in return for a portion of their premiums. While this description characterizes all reinsurance, implementations come in different flavors, each with its own costs and benefits. We have entered into a range of reinsurance agreements, differing in both duration and terms, which combine, we believe, to deliver maximum capital efficiency, while optimizing our gross margins for both stability and size.

**Proportional Reinsurance: Maximize Capital Efficiency**

The low cost of capital for reinsurance companies creates an opportunity to share premiums and maintain our gross margin while dramatically reducing our capital requirements through a structure called "proportional reinsurance" (also known as "quota share reinsurance"). Beginning on July 1, 2020, we will have proportional reinsurance protecting 75% of our business (the "Proportional Reinsurance Contracts"). Under the Proportional Reinsurance Contracts, which span all of our products and geographies, we transfer, or "cede," 75% of our premiums to our reinsurers. In exchange, these reinsurers pay us a "ceding commission" of 25% for every dollar ceded, in addition to funding all of the corresponding claims, i.e. 75% of all our claims. This arrangement mirrors our fixed fee, and hence shields our gross margin, from the volatility of claims, while boosting our capital efficiency dramatically.

Under U.S. and E.U. regulatory laws, insurance companies are required to set aside "surplus capital" in accordance with various formulae. These requirements tend to be more onerous for younger companies experiencing rapid growth, such that without reinsurance we would need to reserve as much as 50 cents for every dollar of premiums sold, known as a 2:1 ratio. Our proportional reinsurance structure shifts most of that surplus capital requirement to the reinsurer, such that the capital surplus requirement for the Company is expected to be approximately 7:1.

**Non-Proportional Reinsurance: Optimize Gross Margins**

As described above, our Proportional Reinsurance Contracts provide that we cede 75% of our premiums to our reinsurers, pushing our capital efficiency to near maximized levels. We have opted
to manage the remaining 25% of our business with alternative forms of reinsurance, with a view to maximizing profitability, while also protecting the integrity of our fixed fee.

These two remaining goals live in tension with one another: leaving zero “wiggle room” around our fixed fee would guarantee its stability, but would preclude our benefiting from our improving loss ratio. Conversely, any room for improved profitability would also introduce additional volatility into our business.

To balance our desire for both growing and stable gross margins, we set out to structure our remaining reinsurance such that variability in our gross margins will be largely contained, though not eliminated entirely. We believe we have achieved this through a combination of reinsurance structures known as "per risk reinsurance" and "facultative reinsurance" (the "Non-Proportional Reinsurance Contracts"). Together with the Proportional Reinsurance Contracts, these Non-Proportional Reinsurance Contracts intend to ensure that the most we will pay for any one claim is unlikely to ever exceed $125,000.

We believe our reinsurance structure achieves important goals: making us capital-light, buffering our gross margins from the vicissitudes of claims, and leaving room for our gross margins to grow. Indeed, based on our current book of business, our probability models suggest that we have crafted a ±3% collar around our gross margins, with underwriting results expected to impact our gross margins no more than ±3% in 95 years out of 100. Our probability modeling further suggests that, in any given year, the variance in our gross margins is twice as likely to be favorable than not.

**Duration**

Our goal of maximizing predictability of our results, while growing gross margins over time, led us to vary not only the terms of our reinsurance agreements, but their term, too.

The Proportional Reinsurance Contracts will be issued by a consortium of seven reinsurers, each holding an 'A' or better rating from A.M. Best, and each holding a share of the agreement's commitments. Roughly three quarters of the Proportional Reinsurance Contracts runs for a three-year term, expiring June 30, 2023, while the remainder has a one-year term, expiring June 30, 2021. Our Non-Proportional Reinsurance Contracts, in which eight reinsurers partake, each holding an 'A' or better rating from A.M. Best, are likewise effective as of July 1, 2020, and have a one-year term.

All told, about 55% of our book will be reinsured on a three-year term, with the remainder coming up for renewal and renegotiation on an annual basis. We believe that staggering the terms this way provides the appropriate balance between maximizing predictability, and enabling us to capture more margin over time.

**Investments**

Our portfolio of investable assets is primarily held in cash, money market funds, and fixed income securities issued by the U.S. government and government agencies with relatively short durations. We manage the portfolio in accordance with the investment policies and guidelines approved by the Investment Committee of our Board of Directors.

We have designed our investment policy and objectives to provide a balance between current yield, conservation of capital, and liquidity requirements of our operations setting guidelines that provide for a well-diversified investment portfolio that is compliant with insurance regulations applicable to the states in which we operate. The policy, which may change from time to time, is approved by our Investment Committee and is reviewed on a regular basis in order to ensure that
the policy evolves in response to changes in the financial markets. See "Note 3 — Investments" in the Notes to Consolidated Financial Statements included in this prospectus.

Competition

The homeowners and, to a lesser extent, the renters insurance industries in which we operate are highly competitive. While we believe we are well positioned to execute our business model and reinvent insurance, we face significant competition from traditional insurance companies such as Allstate, Farmers, Liberty Mutual, State Farm, and Travelers. Although we are tapping into markets that our competitors have struggled to reach, the incumbent insurance companies are larger than us and have significant competitive advantages over us, including increased name recognition, higher financial ratings, greater resources, additional access to capital and more types of insurance coverage to offer, such as auto, health and life insurance, than we currently do. In particular, unlike us, many of these competitors offer consumers the ability to purchase homeowners and multiple other types of insurance products and "bundle" them together, in certain circumstances, include an umbrella liability policy for additional coverage at competitive prices. Moreover, as we expand into new lines of business and offer additional products beyond renters and homeowners insurance, such as pet insurance, we could face intense competition from traditional insurance companies that are already established in such markets.

We also compete with new market entrants. Competition is based on many factors, including the reputation and experience of the insurer, coverages offered, pricing and other terms and conditions, customer service, relationships with brokers and agents (including ease of doing business, service provided, and commission rates paid), size, and financial strength ratings, among other considerations. We believe we compete favorably across many of these factors, and have developed a digital platform and business model based on artificial intelligence and behavioral economics that we believe will be difficult for incumbent insurance providers to emulate.

Our Challenges

We will encounter challenges while pursuing our growth opportunities and implementing our business model, and our continued success will depend on our ability to overcome such challenges. Our business model is premised on the expectation that a significant number of our customers who are renters will continue to retain coverage with us as they transition from being renters to homeowners, but we cannot provide assurances that we will succeed in retaining existing customers as they become homeowners. Additionally, our Giveback may not function as intended and may not align our interests with those of our customers to the extent anticipated and may not resonate with our existing customers or may fail to attract new customers. Further, the inadequacy of current reinsurance to protect against catastrophic losses and the unavailability of acceptable reinsurance protection in the future would have an adverse impact on our business model, which depends on reinsurance companies to absorb any unfavorable variance from the level of losses anticipated at underwriting. Future legislation may affect our ability to use artificial intelligence in our business and operations, and artificial intelligence is integral to our business model. See "Risk Factors" beginning on page 20 of this prospectus for a discussion of factors you should carefully consider before investing in our common stock.

Intellectual Property

The protection of our technology and intellectual property is an important aspect of our business. We intend to rely upon a combination of trademarks, trade secrets, copyrights, confidentiality procedures, contractual commitments, and other legal rights to establish and protect our intellectual property. We generally enter into confidentiality agreements and invention of work
product assignment agreements with our employees and consultants to control access to, and clarify ownership of, our proprietary information.

As of March 31, 2020, we do not own any U.S. or foreign patents and do not have any U.S. or foreign patent applications pending. As of March 31, 2020, we hold 21 foreign registered trademarks and four registered trademarks in the United States, including the Lemonade mark, have 118 foreign trademark applications pending and no U.S. trademark applications pending, and hold three copyrights in the United States, covering certain videos, texts, photographs, and artwork displayed on our mobile app and website. We continually review our development efforts to assess the existence and patentability of new intellectual property.

Intellectual property laws, procedures, and restrictions provide only limited protection and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed, or misappropriated. Further, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States, and, therefore, in certain jurisdictions, we may be unable to protect our proprietary technology.

Corporate Structure

Lemonade, Inc. is a public benefit corporation organized under Delaware law. It provides certain personnel, facilities, and services to each of its subsidiaries, all of which are 100% owned, directly or indirectly, by Lemonade, Inc. The group consists of the following entities, which support Lemonade, Inc.’s U.S. and E.U. operations: (1) Lemonade Insurance Company, an insurance corporation organized under New York law; this company issues insurance policies and pays claims; it is licensed and regulated as a stock property and casualty insurance company in New York and in all other states where our insurance products are available; (2) Lemonade Insurance Agency, LLC, a limited liability company organized under New York law; this company is licensed as an insurance agent in New York and in all other states where our insurance products are available and it acts as the distribution and marketing agent for Lemonade Insurance Company and provides certain underwriting and claims services, and receives a fixed percentage of premiums for doing so; it also acts as an agent for other insurance companies in distributing their insurance, for which it receives various percentages of premiums; (3) Lemonade Ltd., a company organized under the laws of Israel; this company provides technology, research and development, management, marketing, and other services to the companies in the group, charged on a “cost plus” basis; (4) Lemonade Insurance N.V., a public limited company organized under the laws of the Netherlands; (5) Lemonade Agency B.V., a Netherlands private limited liability company; (6) Lemonade B.V., a Netherlands private limited liability company; and (7) Lemonade Life Insurance Agency, LLC, a limited liability company organized under Delaware law; this company acts as the distribution and marketing agent for the sale and servicing of life insurance products.

Lemonade, Inc. provides personnel, facilities, and services to Lemonade Insurance Company in return for actual cost. Lemonade Insurance Agency, LLC provides services to Lemonade Insurance Company on a fixed percentage of premium revenue. This includes the services of Lemonade Ltd. as well as the services of third parties with whom Lemonade, Inc. or Lemonade Insurance Agency has contracted. In addition, Lemonade, Inc. provides Lemonade Insurance Agency, LLC with accounting, tax, auditing, underwriting, claims, marketing, and functional support services.
Culture and Values

Our status as a Certified B Corp and commitment to charitable giving distinguish us from our competitors and promote a relationship among our employees and customers founded on trust. We not only seek to engender a trusting relationship between our brand and our customers, but also among our employees. We value the power of creativity and encourage and support the sharing of ideas to enhance our business model. Like the industry in which we operate, we know the importance and value of a community pooling its resources together for the public good. We value inclusivity, respecting differences, and seamless teamwork in every facet of our business.

In addition, on February 18, 2020, we issued 500,000 shares of common stock as the initial endowment of the Lemonade Foundation, a 501(c)(4) social welfare organization established under Arizona law. By contributing approximately 1% of our common stock to the Lemonade Foundation, we hope to promote charitable giving and other community-centric activities with a nexus to our community.

Certified B Corp Status

While not required by Delaware law or the terms of our certificate of incorporation, we have been designated as a Certified B Corp™. The term "Certified B Corp" does not refer to a particular form of legal entity, but instead refers to companies that are certified by B Lab, an independent nonprofit organization, as meeting rigorous standards of social and environmental performance, accountability, and transparency. B Lab sets the standards for Certified B Corp certification and may change those standards over time.

The first step in becoming a Certified B Corp is taking and passing a comprehensive and objective assessment of a business's positive impact on society and the environment. The assessment varies depending on the company's size (number of employees), sector, and location. The standards in the assessment are created and revised by an independent governing body that determines eligibility to be a Certified B Corp.

By completing a set of over 200 questions that reflect impact indicators, best practices, and outcomes, and are customized for the company being assessed, a company receives a composite
score on a 200-point scale representative of its overall impact on its employees, customers, communities, and the environment. Representative indicators in the assessment range from payment above a living wage, employee benefits, charitable giving/community service, and use of renewable energy.

Certification as a Certified B Corp requires that a company achieve a reviewed assessment score of at least an 80. The review process includes a phone review and a random selection of indicators for verifying documentation. The assessment also includes a disclosure questionnaire, including any sensitive practices, fines, and sanctions related to the company or its partners.

Our certification also required us to adopt the public benefit corporation structure, a step we have already completed. Once certified, every Certified B Corp must make its assessment score transparent on the independent non-profit organization's website. Acceptance as a Certified B Corp and continued certification is at the sole discretion of the independent organization.

Employees

As of March 31, 2020, we had 329 employees, 193 of whom were based in the United States and the rest of whom were based outside of the United States, primarily in Israel. None of our employees is represented by a labor union. We consider our relationships with our employees to be good and have not experienced any interruptions of operations due to labor disagreements.

Based on public information from five competing insurance companies in the United States, we estimate that the number of customers per employee for those companies ranges from approximately 150 to approximately 450 customers per employee. We base this estimate on publicly available information, which we have adjusted for comparability. The calculation of "employees" includes insurance agents and brokers because they are a significant cost component for other insurance companies. In comparison to these competitors, our number of customers per employee was over 2,000 as of the date of this prospectus.

Facilities

Our corporate headquarters is located in New York, New York, and consists of approximately 33,750 square feet of space under a lease that expires on November 30, 2022.

We also lease offices in Tel Aviv, Israel, Scottsdale, Arizona, and Amsterdam, Netherlands. We believe that we will be able to obtain additional space, as needed, on commercially reasonable terms.

Geographic Scope of Business

In the United States, as of the date of this prospectus, Lemonade Insurance Company is licensed to operate in New York (its domiciliary state), Alabama, Arkansas, Arizona, California, Colorado, Connecticut, Washington, D.C., Georgia, Florida, Iowa, Illinois, Indiana, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Montana, North Carolina, North Dakota, Nebraska, New Hampshire, New Jersey, New Mexico, Nevada, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, and Wisconsin.

We also currently hold a pan-European license, which allows us to sell in 31 countries across Europe, and commenced operating in Germany on June 11, 2019 and in the Netherlands on April 2, 2020.

When we launched in late 2016, our licenses covered approximately 20 million people, compared to approximately 820 million people as of the date of this prospectus.

Legal Proceedings

We are subject to routine legal proceedings in the normal course of operating our insurance business. We are not involved in any legal proceedings which reasonably could be expected to have a material adverse effect on our business, results of operations or financial condition.
We are regulated by insurance regulatory authorities in the states in which we operate. State insurance laws and regulations generally are designed to protect the interests of customers, consumers, and claimants rather than stockholders or other investors. The nature and extent of state regulation varies by jurisdiction, and state insurance regulators generally have broad administrative power with respect to all aspects of the insurance business. The regulatory requirements and restrictions include, among others, the following:

- prior approval of change in control transactions;
- approval of policy forms and premium;
- approval for new product development;
- approval of intercompany service agreements;
- state-specific capital requirements as a condition to licensing with such state;
- standards of solvency, including statutory and risk-based capital requirements establishing the minimum amount of capital and surplus that must be maintained by our regulated insurance subsidiary;
- requirements that we participate in state guaranty funds;
- restrictions on the nature, quality, and concentration of our investments;
- advertising, marketing, and trade practices;
- restrictions on the ability of our regulated insurance subsidiary to pay dividends to us or enter into certain related party transactions;
- restrictions on the size of risks insurable under a single policy;
- rules requiring deposits for the benefit of customers;
- privacy regulation and data security;
- corporate governance and risk management;
- periodic examinations of our operations, finances, and claims practices; and
- prescribing statutory accounting methods and the form and content of statutory financial reports.

Regulation of insurance companies constantly changes as governmental agencies and legislatures react to real or perceived issues. In recent years, the state insurance regulatory framework has come under increased federal scrutiny, and some state legislatures have considered or enacted laws that alter and, in many cases, increase, state authority to regulate insurance companies and insurance holding company systems. Further, the NAIC and some state insurance regulators are re-examining existing laws and regulations specifically focusing on issues relating to the solvency of insurance companies, interpretations of existing laws and the development of new laws. Although the federal government does not directly regulate the business of insurance, federal initiatives often affect the insurance industry in a variety of ways. In addition, the Federal Insurance Office (the "FIO") was established within the U.S. Department of the Treasury by the Dodd-Frank Act in July 2010 to monitor all aspects of the insurance industry. Although the FIO has no express regulatory authority over insurance companies or other insurance industry participants, it has the ability to recommend to the Financial Stability Oversight Council the designation of an insurer as
"systemically significant" and therefore subject to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve") as a bank holding company.

Required Licensing

Our regulated U.S. subsidiaries are domiciled and admitted in the state of New York to transact certain lines of property insurance. Lemonade Insurance Company's and Lemonade Insurance Agency, LLC's New York licenses are in good standing, and, pursuant to applicable New York laws and regulations, will continue in force unless otherwise suspended, revoked, or otherwise terminated, subject to certain conditions.

Lemonade Insurance Company must apply for and maintain a license to sell insurance in those jurisdictions in which it transacts its insurance business, including New York (its domiciliary state), Arkansas, Arizona, California, Colorado, Connecticut, Washington, D.C., Georgia, Iowa, Illinois, Indiana, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New Mexico, Nevada, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Virginia, and Wisconsin.

The NYDFS conducts on-site visits and examinations of the financial affairs and market conduct condition of Lemonade Insurance Company, including its financial condition, its relationships and transactions with affiliates, and its dealings with customers, generally every three years. Insurance regulatory authorities have broad administrative powers to restrict or revoke licenses to transact business against insurers and insurance agents and brokers found to be in violation of applicable laws and regulations.

Insurance Holding Company Regulation

Many states, including the State of New York (where our regulated insurance subsidiary is domiciled), have enacted legislation or adopted regulations regarding insurance holding company systems. These laws require registration of and periodic reporting by insurance companies domiciled within the jurisdiction which control or are controlled by other corporations or persons so as to constitute an insurance holding company system. Because Lemonade Insurance Company is a New York insurance company, we are subject to New York law governing insurance holding companies, which requires that each insurance company in the system register with the insurance department of its state of domicile and furnish information concerning the operations of companies within the holding company system that may materially affect the operations, management, or financial condition of the insurers within the system and domiciled in that state. The statute also provides that all transactions among members of a holding company system must meet the following: (i) the terms must be fair and equitable; (ii) charges or fees must be reasonable; and (iii) expenses incurred and payments received must be allocated on an equitable basis in conformity with customary insurance accounting practices consistently applied. Transactions between insurance subsidiaries and their parents and affiliates generally must be disclosed to the state regulators, and notice to or prior approval of the applicable state insurance regulator generally is required for any material or extraordinary transaction.

Changes of Control

Before a person can acquire control of a U.S. domestic insurer, prior written approval must be obtained from the insurance commissioner of the state where the insurer is domiciled, or the acquiror must make a disclaimer of control filing with the insurance department of such state, which filing must be accepted by such insurance department. Prior to granting approval of an application to acquire control of a domestic insurer, the domiciliary state insurance commissioner will consider a number of factors, which include the financial strength of the proposed acquiror, the acquiror's
plans for the future operations of the domestic insurer, and any anti-competitive results that may arise from the consummation of the acquisition of control.

Generally, state insurance statutes provide that control over a domestic insurer is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent or more of the outstanding voting securities of the domestic insurer. This statutory presumption of control may be rebutted by a showing that control does not exist in fact. The state regulators, however, may find that “control” exists in circumstances in which a person owns or controls less than ten percent of the voting securities of the domestic insurer.

As Lemonade Insurance Company is domiciled in New York, the insurance laws and regulations of New York would be applicable to any proposed acquisition of control of Lemonade Insurance Company. Under New York law, generally no person may acquire control of any insurer, whether by purchase of its securities or otherwise, unless it gives prior notice to the insurer and receives prior approval from the Commissioner of Financial Services. These regulations pertaining to an acquisition of control of an insurance company may discourage potential acquisition proposals and may delay, deter, or prevent a change of control of us, including through transactions that some or all of our stockholders might consider to be desirable. Such regulations may also inhibit our ability to acquire an insurance company should we wish to do so in the future.

Restrictions on Paying Dividends

We are a holding company that transacts a majority of our business through operating subsidiaries. Consequently, our ability to pay dividends to stockholders and meet our debt payment obligations is largely dependent on dividends and other distributions from our subsidiaries. Applicable insurance laws restrict the ability of our regulated insurance subsidiary to declare stockholder dividends. Applicable insurance regulators require insurance companies to maintain specified levels of statutory capital and surplus. Under New York law, we may not declare or distribute any dividend to shareholders except out of earned surplus (as defined under New York law). Additionally, we may not declare or distribute any dividend to shareholders which, together with all dividends declared or distributed by us during the preceding 12 months, exceeds the lesser of (a) ten percent of our surplus to customers as shown by our last statement on file with the Commissioner of Financial Services, or (b) one hundred percent of adjusted net investment income (as defined under New York law) during such period.

Insurance regulators have broad powers to prevent reduction of statutory surplus to inadequate levels, and there is no assurance that dividends of the maximum amounts calculated under any applicable formula would be permitted. State insurance regulatory authorities that have jurisdiction over the payment of dividends by our regulated insurance subsidiary may in the future adopt statutory provisions more restrictive than those currently in effect.

Investment Regulation

Lemonade Insurance Company is subject to New York laws which generally require diversification of our investment portfolios and limits on the amount of our investments in certain categories. Failure to comply with these laws and regulations would cause non-conforming investments to be treated as non-admitted assets for purposes of measuring statutory surplus and, in some instances, would require us to sell those investments.

Licensing of Our Employees and Adjusters

In certain states in which we operate, insurance claims adjusters are required to be licensed and some must fulfill annual continuing education requirements. In most instances, our employees who are negotiating coverage terms are underwriters and are not required to be licensed agents.
As of March 31, 2020, 45 employees of Lemonade Insurance Company were required to maintain and did maintain requisite licenses for these activities in most states in which we operate.

**Enterprise Risk, Cybersecurity, and Other Recent Developments**

The NAIC has engaged in a concerted effort to strengthen the ability of U.S. state insurance regulators to monitor U.S. insurance holding company groups. Among other things, the NAIC's model, when adopted, requires the ultimate controlling person of an insurance company to submit an annual enterprise risk management report that describes the risk that an activity, circumstance, event, or series of events involving one or more affiliates of an insurer will, if not remedied promptly, be likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. In addition, in some states, including New York, any person divesting control over an insurer must provide 30 days' notice to the regulator and the insurer. The amendments direct the domestic state insurance regulator to determine those instances in which a divesting person will be required to file for and obtain approval of the transaction. More recently, the NAIC has developed model laws requiring annual reports concerning the nature of corporate governance within an insurance holding company.

In 2012, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment ("ORSA") Model Act to require domestic insurers to maintain a risk management framework and establishes a legal requirement for domestic insurers to conduct an ORSA in accordance with the NAIC's ORSA Guidance Manual. The ORSA Model Act provides that domestic insurers, or their insurance group, must regularly conduct an ORSA consistent with a process comparable to the ORSA Guidance Manual process. The ORSA Model Act also provides that, no more than once a year, an insurer's domiciliary regulator may request that an insurer submit an ORSA summary report, or any combination of reports that together contain the information described in the ORSA Guidance Manual, with respect to the insurer and the insurance group of which it is a member.

Additionally, in response to the growing threat of cyber-attacks in the insurance industry, certain jurisdictions, including New York, have begun to consider new cybersecurity measures, including the adoption of cybersecurity regulations. In March 2017, the NYDFS promulgated Cybersecurity Requirements for Financial Services Companies, which require covered financial institutions, including Lemonade Insurance Company, to establish and maintain a cybersecurity program and implement and maintain cybersecurity policies and procedures that meet specific requirements. Additionally, on October 24, 2017, the NAIC adopted its Insurance Data Security Model Law, intended to serve as model legislation for states to enact in order to govern cybersecurity and data protection practices of insurers, insurance agents, and other licensed entities registered under state insurance laws. Alabama, Connecticut, Delaware, Michigan, Mississippi, New Hampshire, Ohio, and South Carolina have adopted versions of the NAIC Insurance Data Security Model Law, each with a different effective date. Lemonade Insurance Company takes steps to comply with financial industry cybersecurity regulations and believes it is materially compliant with their requirements.

California has recently enacted legislation restricting the use of automated systems to communicate with people online. California adopted a statute making it unlawful for any person to use a bot to communicate with another person in California online with the intent to mislead the other person about its artificial identity for the purpose of knowingly deceiving the person about the content of the communication in order to incentivize a purchase or sale of goods or services in a commercial transaction. The statute provides that a person using a bot will not be liable under the statute if the person discloses that it is a bot. See "Risk Factors — Risks Relating to Our Business — New legislation or legal requirements may affect how we communicate with our customers, which could have a material adverse effect on our business model, financial condition, and results of operations."
GDPR

The GDPR applies to our activities to the extent that those activities take place in the context of our establishments in the European Union. In addition, the GDPR may apply to our activities that involve the processing of personal data of individuals in the European Union to whom we offer our products or services. The GDPR could also apply to our business if we were to monitor the activities of individuals in the European Union. As we expand into Europe, the compliance obligations under the GDPR (as set out above) will become more significant. See “Risk Factors — Risks Relating to Our Business — We may face particular privacy, data security, and data protection risks as we continue to expand into Europe in connection with the GDPR and other data protection regulations.”

Federal and State Legislative and Regulatory Changes

The U.S. federal government’s oversight of the insurance industry was expanded under the Dodd-Frank Act with the establishment of the FIO in the U.S. Department of the Treasury. Although FIO has little actual regulatory power, it has the authority to monitor all aspects of the insurance sector and to represent the United States on prudential aspects of international insurance matters, including at the International Association of Insurance Supervisors (the “IAIS”). In addition, the FIO serves as an advisory member of the Financial Stability Oversight Council, assists the secretary of the U.S. Department of the Treasury with administration of the Terrorism Risk Insurance Program, and advises the secretary of the U.S. Department of the Treasury on important national and international insurance matters. In addition, the FIO has the ability to recommend to the Financial Stability Oversight Council the designation of an insurer as “systemically significant” and therefore subject to regulation by the Federal Reserve as a bank holding company.

In addition, a number of federal laws affect and apply to the insurance industry, including various privacy laws, the Fair Credit Reporting Act (“FCRA”), and the economic and trade sanctions implemented by the Office of Foreign Assets Control (“OFAC”) of the U.S. Department of the Treasury. OFAC maintains and enforces economic sanctions against certain foreign countries and groups and prohibits U.S. persons from engaging in certain transactions with certain persons or entities. OFAC has imposed civil penalties on persons, including insurance and reinsurance companies, arising from violations of its economic sanctions program.

Trade Practices

The manner in which insurance companies and insurance agents and brokers conduct the business of insurance is regulated by state statutes in an effort to prohibit practices that constitute unfair methods of competition or unfair or deceptive acts or practices. Prohibited practices include, but are not limited to, disseminating false information or advertising, unfair discrimination, rebating and false statements. Our regulated insurance subsidiary sets business conduct policies and provide training to make our employee-agents and other sales personnel aware of these prohibitions, and requires them to conduct their activities in compliance with these statutes.

Unfair Claims Practices

Generally, insurance companies, adjusting companies, and individual claims adjusters are prohibited by state statutes from engaging in unfair claims practices. Unfair claims practices include, but are not limited to, misrepresenting pertinent facts or insurance policy provisions; failing to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies; and attempting to settle a claim for less than the amount to which a reasonable person would have believed such person was entitled. Our regulated insurance
subsidiary sets business conduct policies to make claims adjusters aware of these prohibitions, and requires them to conduct their activities in compliance with these statutes.

Credit for Reinsurance

State insurance laws permit U.S. insurance companies, as ceding insurers, to take financial statement credit for reinsurance that is ceded, so long as the assuming reinsurer satisfies the state's credit for reinsurance laws. There are several different ways in which the credit for reinsurance laws may be satisfied by an assuming reinsurer, including being licensed in the state, being accredited in the state, or maintaining certain types of qualifying collateral. We ensure that all of Lemonade Insurance Company's reinsurers qualify for Lemonade Insurance Company to be able to take full financial statement credit for its reinsurance.

Periodic Financial and Market Conduct Examinations

The insurance regulatory authority in the State of New York, Lemonade Insurance Company's state of domicile, conducts on-site visits and examinations of the financial affairs and market conduct condition of Lemonade Insurance Company including its financial condition, its relationships and transactions with affiliates, and its dealings with customers, generally every three years, and may conduct special or targeted examinations to address particular concerns or issues at any time. Insurance regulators of other states in which Lemonade Insurance Company is licensed may also conduct examinations. The results of these examinations can give rise to regulatory orders requiring remedial, injunctive, or other corrective action. Insurance regulatory authorities have broad administrative powers to regulate trade practices, and to restrict or revoke licenses to transact business and to levy fines and monetary penalties against insurers and insurance agents, and brokers found to be in violation of applicable laws and regulations.

Insolvency Funds and Associations, Mandatory Pools, and Insurance Facilities

Most states require admitted property and casualty insurance companies to become members of insolvency funds or associations which generally protect customers against the insolvency of the admitted insurance companies. Members of the fund or association must contribute to the payment of certain claims made against insolvent insurance companies through annual assessments. The annual assessments required in any one year will vary from state to state, and are subject to various maximum assessments per line of insurance.

Risk-Based Capital

Risk-based capital laws are designed to assess the minimum amount of capital that an insurance company needs to support its overall business operations and to ensure that it has an acceptably low expectation of becoming financially impaired. State insurance regulators use risk-based capital to set capital requirements, considering the size and degree of risk taken by the insurer and taking into account various risk factors including asset risk, credit risk, underwriting risk, and interest rate risk. As the ratio of an insurer's total adjusted capital and surplus decreases relative to its risk-based capital, the risk-based capital laws provide for increasing levels of regulatory intervention culminating with mandatory control of the operations of the insurer by the domiciliary insurance department at the so-called mandatory control level. New York has adopted the model legislation promulgated by the NAIC pertaining to risk-based capital, and requires annual reporting by New York-domiciled insurers to confirm that the minimum amount of risk-based capital necessary for an insurer to support its overall business operations has been met. New York-domiciled insurers falling below a calculated threshold may be subject to varying degrees of regulatory action. Failure to maintain risk-based capital at the required levels could adversely affect the ability of Lemonade Insurance Company to maintain the regulatory approvals necessary to
conduct its business. As of December 31, 2019, Lemonade Insurance Company maintained a risk-based capital level of 354%.

IRIS Ratios

The NAIC Insurance Regulatory Information System ("IRIS") is a collection of analytical tools designed to provide state insurance regulators with an integrated approach to screening and analyzing the financial condition of insurance companies operating in their respective states. IRIS consists of two phases: statistical and analytical. In the statistical phase, the NAIC database generates key financial ratio results based on financial information obtained from insurers’ annual statutory statements. The statistical phase highlights those insurers that merit the highest priority in the allocation of the state insurance regulators’ resources. The ratios are not, in themselves, indicative of adverse financial condition. The analytical phase is a review of the annual statements, financial ratios, and other automated solvency tools. An insurance company may fall out of the usual range for one or more ratios for any number of reasons. The primary goal of the analytical phase is to identify companies that appear to require immediate regulatory attention. Our insurance company, Lemonade Insurance Company, had four unusual IRIS financial ratio results in 2018 and five in 2019; however, we have received no inquiries from its domestic insurance regulator regarding these results.

Statutory Accounting Principles

Statutory accounting principles ("SAP") is a basis of accounting developed by U.S. insurance regulators to monitor and regulate the solvency of insurance companies. In developing SAP, insurance regulators were primarily concerned with evaluating an insurer's ability to pay all its current and future obligations to customers. As a result, statutory accounting focuses on conservatively valuing the assets and liabilities of insurers, generally in accordance with standards specified by the insurer's domiciliary jurisdiction. Uniform statutory accounting practices are established by the NAIC and generally adopted by regulators in the various U.S. jurisdictions. These accounting principles and related regulations determine, among other things, the amounts our regulated insurance subsidiary may pay to us as dividends and differ somewhat from GAAP principles, which are designed to measure a business on a going-concern basis. GAAP gives consideration to matching of revenue and expenses and, as a result, certain expenses are capitalized when incurred and then amortized over the life of the associated policies. The valuation of assets and liabilities under GAAP is based in part on best estimate assumptions made by the insurer. Stockholders' equity represents both amounts currently available and amounts expected to emerge over the life of the business. As a result, the values for assets, liabilities, and equity reflected in financial statements prepared in accordance with GAAP may be different from those reflected in financial statements prepared under SAP. We cannot predict whether or when regulatory actions may be taken that could adversely affect us or the operations of our regulated insurance subsidiary. Interpretations of regulations by regulators may change and statutes, regulations and interpretations may be applied with retroactive effect, particularly in areas such as accounting or reserve requirements.

Rate Regulation

Nearly all states have insurance laws requiring personal property and casualty insurers to file rating plans, policy or coverage forms, and other information with the state's regulatory authority. In many cases, such rating plans, policy forms, or both must be approved prior to use.

The speed with which an insurer can change rates in response to competition or increasing costs depends, in part, on whether the rating laws are (i) prior approval, (ii) file-and-use, or (iii) use-and-file laws. In states having prior approval laws, the regulator must approve a rate before
the insurer may use it. In states having file-and-use laws, the insurer does not have to wait for the regulator's approval to use a rate, but the rate must be filed with the regulatory authority prior to being used. A use-and-file law requires an insurer to file rates within a certain period of time after the insurer begins using them. Eighteen states, including California and New York, have prior approval laws. Under all three types of rating laws, the regulator has the authority to disapprove a rate filing.

An insurer's ability to adjust its rates in response to competition or to changing costs is dependent on an insurer's ability to demonstrate to the regulator that its rates or proposed rating plan meets the requirements of the rating laws. In those states that significantly restrict an insurer's discretion in selecting the business that it wants to underwrite, an insurer can manage its risk of loss by charging a rate that reflects the cost and expense of providing the insurance. In those states that significantly restrict an insurer's ability to charge a rate that reflects the cost and expense of providing the insurance, the insurer can manage its risk of loss by being more selective in the type of business it underwrites. When a state significantly restricts both underwriting and pricing, it becomes more difficult for an insurer to maintain its profitability.

From time to time, the personal lines insurance industry comes under pressure from state regulators, legislators, and special-interest groups to reduce, freeze, or set rates at levels that do not correspond with our analysis of underlying costs and expenses. We expect this kind of pressure to persist. State regulators may interpret existing law or rely on future legislation or regulations to impose new restrictions that adversely affect profitability or growth. We cannot predict the impact on our business of possible future legislative and regulatory measures regarding insurance rates.

European Regulation

Our European insurance entities consist of Lemonade Insurance N.V., Lemonade Agency B.V. and Lemonade B.V. Lemonade Insurance N.V. is a licensed non-life insurer established in the Netherlands and is subject to key financial rules and regulations including the European Directive 2009/138/EC (as amended, the “Solvency II Directive”); Commission Delegated Regulation (EU) 2015/35 (as amended, the "Delegated Regulation", together with the Solvency II Directive referred to as the "Solvency II Regulations"); the implementing technical standards and regulatory technical standards issued by the European Insurance and Occupational Pensions Authority ("EIOPA"); the European Insurance Distribution Directive (Directive (EU) 2016/97, "IDD"); the Dutch Financial Supervision Act (Wet op het financieel toezicht, "DFSA") and the lower rules and regulations promulgated thereunder; and national regulations, as well as local conduct of business requirements, in each of the jurisdictions in which it operates. Currently, the European Commission is preparing for a review of the Solvency II Directive. Lemonade Agency B.V. is currently seeking authorization to act as an authorized agent (gevolmachtigd agent). Upon obtaining its license, Lemonade Agency B.V. will be subject to the IDD, the DFSA and national regulations, as well as local business conduct requirements, in each of the jurisdictions in which it operates. Lemonade B.V. is an insurance holding company within the meaning of article 212 of the Solvency II Directive, as implemented in article 1:1 DFSA.

The Solvency II Regulations

The Solvency II Directive, as implemented in the DFSA and other national regulations, such as the German Insurance Supervisory Act (Versicherungsaufsichtsgesetz), prescribes uniform rules for insurers and their activities and services. More specifically, the Solvency II Directive provides rules and regulations relating to, inter alia, Lemonade Insurance N.V.'s authorization requirements (including the European "passport" regime), its minimum own funds and solvency and its governance. Governance requirements include the need to ensure sound business operations, implement mandatory key functions (being Actuarial, Compliance, Internal Audit and Risk) and
requirements relating to Lemonade Insurance N.V.’s Management Board members, Supervisory Board Members and other key personnel. The Delegated Regulation is promulgated under the Solvency II Directive and provides detailed requirements relating to some of the Solvency II Directive's broader requirements.

**IDD and other conduct of business rules**

The IDD provides a harmonized regime for insurance distribution activities. It regulates the way insurance products are designed and sold both by insurance intermediaries (e.g. Lemonade Agency B.V.) and directly by insurance undertakings (e.g. Lemonade Insurance N.V.). The rules and regulations set out in the IDD have been implemented in the DFSA. The provisions set out in the IDD mainly relate to standards of product disclosure, promotional materials and product governance and oversight. Local regulations and conduct of business rules implemented in each of the European member states in which both Lemonade Agency B.V. and Lemonade Insurance N.V. do business supplement the requirements set out in the IDD.

**Financial and other Regulators**

Lemonade Insurance N.V. is subject to primary supervision by the Dutch Central Bank (De Nederlandsche Bank, "DNB") as the supervisory authority of its home member state. In addition, it is subject to supervision by the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, "AFM"), and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin"), as the supervisory authority of a host member state. The AFM is the regulator tasked with conduct supervision relating to Lemonade Insurance N.V.’s Dutch activities. BaFin is the competent regulator tasked with the supervision of Lemonade Insurance N.V.’s compliance with German regulations and conduct requirements, unless prudential (i.e. capital and solvency) requirements are concerned.

Lemonade Agency B.V. has applied for a license to act as an authorized agent with the AFM. Upon obtaining its license, Lemonade Agency B.V. will be subject to supervision by the AFM. Lemonade B.V. as parent and Lemonade Insurance N.V. as subsidiary is an E.U. sub-group within the meaning of Article 213(2)(b) of Solvency II, as implemented in article 3:285 (2) DFSA. Lemonade B.V. is subject to group supervision by DNB under the Solvency II Directive. The relevant EU supervisory body for insurers, EIOPA, has limited supervisory powers in the Netherlands, however it plays an important role in drafting and issuing technical standards and preparing guidance relating to various European directives and regulations. EIOPA aims to accomplish efficient and harmonized financial supervision across the European Union.

DNB and AFM employ a risk-based and proportionate approach to supervision, comprising a firm systemic framework, which focuses on the continuous assessment of how firms manage the risks they create and identifying the root causes of risk. DNB regularly pro-actively contacts insurers to discuss matters of strategy, day-to-day operations and the current (and expected future) financial standing of the undertaking, in order to assess what parts of a regulated undertaking (if any) could pose (systemic) risk. In addition, DNB monitors operations and business through monthly updates, the submission of Quantitative Reporting Templates, by reviewing annual reports, approving prospective Management Board and Supervisory Board members prior to their appointment and through scheduled and unannounced audits.

DNB also regulates the acquisition and increase of control over certain authorized firms, such as insurers. Under the DFSA, any person intending to acquire control of, or increase (or decrease) control over, an insurer must first obtain the consent of the DNB. In considering whether to grant or withhold its approval for the acquisition of control, DNB must be satisfied that the acquirer is a fit and proper person and that the interests of consumers would not be threatened by their acquisition.

148
Table of Contents

of, or increase in, control. A person will be treated as increasing (or decreasing) their control over an insurer if the level of their percentage of (indirect) shareholding or voting power in the insurer crosses the 10, 20, 33, 50 percent or 100 percent threshold.

Enforcement

DNB and AFM expect firms to avoid actions that jeopardize compliance with their statutory objectives and applicable rules and regulations and have extensive powers to intervene in the affairs of a regulated firm. When DNB is concerned that an insurer may present a risk, this may lead to negative consequences, including the requirement to maintain a higher level of regulatory capital (via capital “add-ons” under the Solvency II Directive) to match the higher perceived risks and enforcement action where the risks identified breach applicable rules and regulations. In case of a breach of our license requirements or obligations arising from the applicable rules and regulations, although both DNB and AFM must apply the principle of proportionality in all of their actions, the regulators have a large amount of discretion in determining what measures to impose (if any) in order to address, remedy, or sanction the breach. DNB and the AFM have a large amount of enforcement tools at their disposal to sanction breaches of applicable rules and regulations, including (public) formal warnings, orders to adopt a certain course of conduct, incremental penalties, and administrative fines. In addition, breaches may lead to a revocation of an undertaking license and, in the case of insurers, where the breach relates to material prudential shortcomings, DNB may impose emergency measures (including the appointment of an administrator or the imposition of measures aimed at winding-up the undertaking).

Required Licensing

Our subsidiary Lemonade Insurance N.V. is licensed and supervised by the insurance supervision division of DNB as a Solvency II non-life insurance company. DNB, as the supervisory authority of its home member state, has permitted us to sell in other European countries, such as Germany, on a Freedom of Services basis. In general, in addition to continuing to meet the threshold conditions to authorization, Lemonade Insurance N.V. and Lemonade Agency B.V. are obliged to comply with European regulations, European directives (in as far as these directives have direct effect in the Netherlands or other European member states in which our subsidiaries do business), the DFSA and the lower regulations set out thereunder, and other national regulations, all of which contain detailed rules covering, among other things, systems and controls, conduct of business, and prudential (i.e. capital and solvency) requirements.
Executive Officers and Directors

The following table sets forth information about our executive officers and directors, including their ages as of May 1, 2020. With respect to our directors, each biography includes information regarding the experience, qualifications, attributes, or skills that caused our board of directors to determine that such person should serve as a director of our company.

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
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<tr>
<td><strong>Executive Officers</strong></td>
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<tr>
<td>Daniel Schreiber</td>
<td>49</td>
<td>Co-Founder, Chief Executive Officer, Chairman, and Director</td>
</tr>
<tr>
<td>Shai Wininger</td>
<td>46</td>
<td>Co-Founder, President, Chief Operating Officer, and Director</td>
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<tr>
<td>Tim Bixby</td>
<td>55</td>
<td>Chief Financial Officer</td>
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<tr>
<td>John Peters</td>
<td>48</td>
<td>Chief Insurance Officer</td>
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<tr>
<td>Jorge Espinel</td>
<td>48</td>
<td>Chief Business Development Officer</td>
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<tr>
<td><strong>Directors</strong></td>
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<tr>
<td>Joel Cutler</td>
<td>62</td>
<td>Director</td>
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<tr>
<td>Michael Eisenberg</td>
<td>48</td>
<td>Director</td>
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<tr>
<td>G. Thompson Hutton</td>
<td>65</td>
<td>Director</td>
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<tr>
<td>Mwashuma Nyatta</td>
<td>40</td>
<td>Director</td>
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<tr>
<td>Haim Sadger</td>
<td>63</td>
<td>Director</td>
</tr>
<tr>
<td>Caryn Seidman-Becker</td>
<td>47</td>
<td>Director</td>
</tr>
</tbody>
</table>

(1) Member of the audit committee.
(2) Member of the compensation committee.
(3) Member of our nominating and corporate governance committee.

The following is a brief biography of each of our executive officers and directors:

**Daniel Schreiber** has served as our Co-Founder, Chief Executive Officer, and Chairman of our board of directors since our founding in June 2015. Prior to co-founding Lemonade in 2015, Mr. Schreiber served as President and a member of the board of directors of Powermat Technologies Ltd., a wireless charging solutions and technology company, from 2011 to 2015. From 2003 to 2011, he served as Senior Vice President of Marketing and Vice President of Marketing and Business Development at SanDisk and M-Systems (which was acquired by SanDisk in 2006), respectively. In 1997, Mr. Schreiber co-founded and acted as the Chief Executive Officer of Alchemedia Inc., an internet security software company acquired by Finjan Software in 2002. Prior to that, Mr. Schreiber practiced corporate commercial law at Herzog, Fox & Neeman, and was a member of the Israeli Bar Association. He holds a Bachelor of Laws with First Class Honors from King's College London. We believe Mr. Schreiber is qualified to serve on our board of directors due to his perspective and experience from serving as a Co-Founder and Chief Executive Officer, as well as his experience leading technology companies.

**Shai Wininger** has served in various roles, including as our Co-Founder, President, Secretary, Treasurer, Chief Operating Officer, Chief Technology Officer, and a member of our board of directors, since our founding in June 2015. Prior to co-founding Lemonade in 2015, Mr. Wininger founded Fiverr Ltd. in 2009, and as the Chief Technology Officer, managed the engineering, design, and product departments. Prior to 2010, Mr. Wininger served in senior management capacities for companies including: from 2005 to 2010, Mobideo Aerospace, an industrial grade analytics and control platform; from 2003 to 2005, Handsmart Software, a mobile licensing platform for content driven, mobile apps; and from 1999 to 2003, Trimus Inc., a virtual reality web browser. Mr. Wininger
also served as a resident faculty member of Computer Graphics at The Neri Bloomfield Academy of Design and Education from 2002 to 2007 in Haifa, Israel. We believe Mr. Wininger is qualified to serve on our board of directors due to his visionary perspective, technical acumen, and experience in founding technology companies.

**Tim Bixby** has served as our Chief Financial Officer since June 2017. In addition, he has served as a member of the board of advisors of Sightworthy, an on-demand video marketing company, since 2016. Prior to joining Lemonade, Mr. Bixby served as Chief Financial Officer of Shutterstock, Inc., a digital content licensing marketplace, from 2011 to 2015. From 1999 to 2011 he served as the Chief Financial Officer, President, and a member of the board of directors of LivePerson, Inc., a provider of cloud mobile and online business messaging solutions. He holds a Bachelor of Arts in Mathematics from Dartmouth College and a Master of Business Administration from Harvard Business School.

**John Peters** has served as our Chief Insurance Officer since September 2016. Prior to joining Lemonade, during the period from 2011 to 2016, he served as the Executive Vice President of Commercial Insurance Operations and the Chief Underwriting and Product Officer, Regional Companies Group for Liberty Mutual Insurance in Boston. Mr. Peters also spent ten years at McKinsey & Company’s global property-casualty insurance practice, serving in various roles including partner. He holds a Bachelor of Arts in Mathematics and German from Bowdoin College and is a former fellow of the Casualty Actuarial Society.

**Jorge Espinel** has served as our Chief Business Development Officer since October 2018. Prior to joining Lemonade, from 2013 to 2018, he served as the Vice President of Global Business Development at Spotify. Mr. Espinel also spent 2009 to 2013 at News Corporation's Digital Media Group, now 21st Century Fox, serving as the Executive Vice President of Corporate Strategy and Development. From 2008 to 2009, Mr. Espinel served as an investment partner with Fuse Capital, formerly Velocity Interactive Group. In addition, Mr. Espinel served as the Vice President of Corporate Strategy and Mergers and Acquisitions at America Online from 2002 to 2007. He holds a Bachelor of Science in Economics and a Bachelor of Arts in International Relations, magna cum laude, from University of Pennsylvania’s The Wharton School and the College of Arts and Sciences.

**Joel Cutler** has served as a member of our board of directors since November 2016. Mr. Cutler is the Co-Founder of and a Managing Director at General Catalyst Partners, which he joined in April 2000. In addition to his role on our board of directors, Mr. Cutler serves as a member of the board of directors of several private companies and non-profit organizations. He holds a Bachelor of Arts in Government and Economics from Colby College and a Juris Doctor from Boston College Law School. We believe Mr. Cutler is qualified to serve on our board of directors due to his experience in a wide range of industries, his leadership experience at a venture capital firm, and his service as a director at numerous companies.

**Michael Eisenberg** has served as a member of our board of directors since July 2015. Mr. Eisenberg is a Partner at Aleph, an early stage venture capital fund that invests in Israeli entrepreneurs, which he joined in July 2013. In addition to his role on our board of directors, Mr. Eisenberg serves as a member of the board of several private companies. He holds a Bachelor of Arts in Political Science from Yeshiva University. We believe Mr. Eisenberg is qualified to serve on our board of directors due to his technology investment experience and his service as a director at numerous companies.

**G. Thompson (Tom) Hutton** has served as a member of our board of directors since August 2016. In addition to his role on our board of directors, Mr. Hutton also serves as a member of the board of several private companies, including Social Finance, Inc., Slice Labs, Zen Drive and XL Innovate. Previously, he has served as a member of the board of directors of public companies including Safeco, XL Group, and Montpelier Re, where he chaired the Audit Committee. Mr. Hutton
Mr. Hutton is the Managing Partner at Thompson Hutton, LLC, a venture capital investment firm based in California. He also acted as the interim Chief Executive Officer for Social Finance, Inc. from 2017 to 2018, and as start-up Chief Executive Officer for Risk Management Solutions (RMS) from 1990 to 2000. He holds a Bachelor of Arts in Economics with Honors and a Master of Science in Mechanical Engineering from Stanford University, as well as a Master of Business Administration with Distinction from Harvard Business School. We believe Mr. Hutton is qualified to serve on our board of directors due to his investment experience, his insurance knowledge, and his service as a director at numerous companies.

Mwashuma (Shu) Nyatta has served as a member of our board of directors since November 2018. In addition to his role on our board of directors, Mr. Nyatta also serves as SoftBank’s representative on a number of boards of companies across multiple industries, including technology, communications, and financial services. Mr. Nyatta is a Managing Partner at SoftBank Group International, where he oversees investments in a broad range of companies. Prior to that, he served as Vice President at J.P. Morgan from 2011 to 2015. Mr. Nyatta has passed the Series 63 Uniform Securities Agent State Law Exam and the Series 79 Investment Banking Representative Exam, both administered by FINRA. He holds a Bachelor of Arts in Economics from Harvard College, as well as a Master of Science in Anthropology with Distinction from Oxford University, where he was a Rhodes Scholar. We believe Mr. Nyatta is qualified to serve on our board of directors due to his experience in the finance field and his service as a director at numerous companies.

Haim Sadger has been a member of our board of directors since July 2015. In addition to his role on our board of directors, Mr. Sadger also serves as a member of the board of various private companies, including Kaminario, EKO, C-B4, Indeni, Pyramid, Skyline, Oribi, Capitolis, Nous Machine Learning, Salt Security, Deep AI Technologies, and RUN AI Labs. Mr. Sadger is a Managing Partner and Managing Director at S Capital L.P, and serves in managing capacities in various Sequoia Capital Israel entities. He holds a Bachelor of Science in Electrical Engineering from the Technion — Israel Institute of Technology. We believe Mr. Sadger is qualified to serve on our board of directors due to his investment experience and his service as a director at numerous companies.

Caryn Seidman-Becker has been a member of our board of directors since July 2018. Ms. Seidman-Becker is the Chairman and Chief Executive Officer of CLEAR, having led the acquisition and relaunch of the company in 2010. From 2002 to 2009, she was the Managing Partner of Arience Capital, where she built an asset management firm with $1.5 billion assets under management. Ms. Seidman-Becker has also served as a member of the board of directors and as a member of the audit committee of CME Group, Inc., a public financial market company. She holds a Bachelor of Science in Political Science from the University of Michigan. We believe Ms. Seidman-Becker is qualified to serve on our board of directors due to the strategic and operational insights she has gained from her experience serving as Chairman and CEO and leading an asset management firm.

Board Composition

Our business and affairs are managed under the direction of our board of directors. Pursuant to our current amended and restated certificate of incorporation and our amended and restated voting agreement, our directors were elected as follows:

- Messrs. Schreiber and Wininger were elected as the designees nominated by holders of our common stock;
- Ms. Seidman-Becker was elected as the designee of all stockholders;
Messrs. Eisenberg and Sadger were elected as the designees nominated by our seed convertible preferred stock ("Series Seed Preferred Stock");

Mr. Hutton was elected as the designee nominated by our series A convertible preferred stock ("Series A Preferred Stock");

Mr. Cutler was elected as the designee nominated by our series B convertible preferred stock ("Series B Preferred Stock"); and

Mr. Nyatta was elected as the designee nominated by our Series C Preferred Stock (defined below).

In connection with this offering, the provisions of our amended and restated voting agreement relating to the election of our directors will terminate and our current amended and restated certificate of incorporation by which our directors were elected, along with our current bylaws, will be amended and restated. Each of our current directors will continue to serve as a director until the election and qualification of his or her successor, or until his or her earlier death, resignation, or removal. After the completion of this offering, the number of directors may be fixed by our board of directors, subject to the terms of our Amended Charter and our Amended Bylaws.

Our Amended Charter and Amended Bylaws will provide that, immediately upon the completion of this offering, our board of directors will be divided into three classes of directors, each serving staggered three-year terms. Only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective three-year terms. Our current directors will be divided among the three classes as follows:

- The Class I directors will be , and their terms will expire at the annual meeting of stockholders to be held in 2021;
- The Class II directors will be , and their terms will expire at the annual meeting of stockholders to be held in 2022; and
- The Class III directors will be , and their terms will expire at the annual meeting of stockholders to be held in 2023.

At each annual meeting of stockholders, upon the expiration of the term of a class of directors, each director in the class, or the successor to each such director in the class, will be elected to serve from the time of election and qualification until the third annual meeting following his or her election and until his or her successor is duly elected and qualified, in accordance with our Amended Charter. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company.

Leadership Structure of the Board of Directors

We do not have a policy regarding whether the role of the Chairman of the Board and Chief Executive Officer should be separate or combined and believe that we should maintain the flexibility to select the Chairman and Chief Executive Officer and reorganize the leadership structure, from time to time, based on criteria that are in our best interests and the best interests of our stockholders at such times. Currently, Daniel Schreiber is the Chairman of the Board and Chief Executive Officer. We believe that Mr. Schreiber's familiarity with our Company and extensive knowledge of our industry qualify him to serve as the Chairman of our Board. Our Board does not currently have a designated lead independent director, but we expect to designate as our lead independent director following the consummation of this offering.
**Director Independence**

Our board of directors has undertaken a review of the independence of each director. Based on information provided by each director concerning his or her background, employment, and affiliations, our board of directors has determined that do not have any relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and are independent directors under the rules of the NYSE, and are independent directors as such term is defined in Rule 10A-3(b)(1) under the Exchange Act.

In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the transactions involving certain of them described in the section titled "Certain Relationships and Related Party Transactions."

**Committees of the Board of Directors**

We anticipate that, prior to the completion of this offering, our board of directors will have three committees: the audit committee; the compensation committee, and the nominating and corporate governance committee. The expected composition and functions of the audit committee, compensation committee, and nominating and corporate governance committee are described below. Members serve on these committees until their resignation or until otherwise determined by our board of directors. Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

**Audit Committee**

The members of the audit committee are expected to be , as Chair, , and , each of whom meets the requirements for independence under the listing standards of the NYSE and SEC rules and regulations. Each member of our audit committee also meets the financial literacy requirements of the listing standards of the NYSE. In addition, our board of directors has determined that is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act.

The audit committee’s main purpose is to oversee our corporate accounting and financial reporting process. Our audit committee will, among other things:

* select a qualified firm to serve as the independent registered public accounting firm to audit our financial statements;
* help to ensure the independence and performance of the independent registered public accounting firm;
* discuss the scope and results of the audit with the independent registered public accounting firm, and review, with management and the independent registered public accounting firm, our interim and year-end results of operations;
* develop procedures for employees to submit concerns anonymously about questionable accounting or audit matters;
* review our policies on risk assessment and risk management;
* review related party transactions; and
* review and pre-approve, as required, all audit and all permissible non-audit services to be performed by the independent registered public accounting firm.

154
Our audit committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable rules and regulations of the SEC and the listing standards of the NYSE.

**Compensation Committee**

The members of the compensation committee are expected to be , as Chair, and , each of whom meets the requirements for independence under the listing standards of the NYSE and SEC rules and regulations. Each member of our compensation committee is also a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act, or Rule 16b-3. In arriving at these determinations, our board of directors has examined all factors relevant to determining whether any compensation committee member has a relationship to us that is material to that member's ability to be independent from management in connection with carrying out such member's duties as a compensation committee member.

The compensation committee's main purpose is to review and recommend policies relating to compensation and benefits of our officers and employees. Our compensation committee will, among other things:

• review, approve, and determine, or make recommendations to our board of directors regarding, the compensation and compensation arrangements of our executive officers;
• administer our equity compensation plans;
• review and approve, or make recommendations to our board of directors regarding, incentive compensation and equity compensation plans; and
• establish and review general policies relating to compensation and benefits of our employees.

Our compensation committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable rules and regulations of the SEC and the listing standards of the NYSE.

**Nominating and Corporate Governance Committee**

The members of the nominating and corporate governance committee are expected to be , as Chair, and , each of whom meets the requirements for independence under the listing standards of the NYSE and SEC rules and regulations.

Following the completion of this offering, our nominating and corporate governance committee will, among other things:

• identify, evaluate, and select, or make recommendations to our board of directors regarding, nominees for election to our board of directors and its committees;
• develop and oversee the annual evaluation of our board of directors and of its committees;
• consider and make recommendations to our board of directors regarding the composition of our board of directors and its committees;
• oversee our corporate governance practices; and
• make recommendations to our board of directors regarding corporate governance guidelines.
Our nominating and corporate governance committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable listing standards of the NYSE.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves, or in the past year has served, as a member of the board of directors or compensation committee (or other committee performing equivalent functions) of any entity that has one or more executive officers serving on our board of directors.

Risk Oversight

One of the key functions of our board of directors following completion of this offering is informed oversight of our risk management process. Our board of directors administers this oversight function directly through our board of directors as a whole, and, following the completion of the offering, through various standing committees of our board of directors that address risks inherent in their respective areas of oversight. In particular, our board of directors is responsible for monitoring and assessing strategic risk exposure, including risks associated with cybersecurity and data protection, and following completion of this offering, our audit committee will have the responsibility to consider our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. Following completion of the offering, our audit committee will review legal, regulatory, and compliance matters that could have a significant impact on our financial statements. Our nominating and corporate governance committee will monitor the effectiveness of our corporate governance practices, including whether they are successful in preventing illegal or improper liability-creating conduct. Our compensation committee will assess and monitor whether any of our compensation policies and programs has the potential to encourage excessive risk taking. While each committee will be responsible for evaluating certain risks and overseeing the management of such risks, our entire board of directors will be regularly informed through committee reports about such risks.

Board Diversity

Our nominating and corporate governance committee will be responsible for reviewing with the board of directors, on an annual basis, the appropriate characteristics, skills and experience required for the board of directors as a whole and its individual members. Although our board of directors does not have a formal written diversity policy with respect to the evaluation of director candidates, in its evaluation of director candidates, our nominating and corporate governance committee will consider factors including, without limitation, issues of character, integrity, judgment, potential conflicts of interest, other commitments, and diversity, and with respect to diversity, such factors as gender, race, ethnicity, experience, and area of expertise, as well as other individual qualities and attributes that contribute to the total diversity of viewpoints and experience represented on the board of directors.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics applicable to all of our directors, officers (including our principal executive officer, principal financial officer, and principal accounting officer) and all global employees. Our Code of Business Conduct and Ethics is available on our website at www.lemonade.com. We expect that amendments to the Code of Business Conduct and Ethics, or waivers of its requirements, will, if required, be disclosed on our website or in filings under the Exchange Act.
**Director Compensation**

The table below shows the aggregate numbers of option awards (exercisable and unexercisable) and unvested stock awards held as of March 31, 2020 by each non-employee director who was serving as of March 31, 2020.

We intend to approve and implement a compensation program for our non-employee directors that consists of annual retainer fees and long-term equity awards. In addition, each non-employee director is expected to receive an annual cash retainer for his or her services in an amount equal to $ and an annual equity award in a denominated dollar value equal to $ . Any director may waive his or her right to receive compensation in connection with his or her board service.

**Stock Ownership Guidelines**

In connection with this offering, we intend to adopt a stock ownership policy applicable to our executive officers and to our non-employee directors who are not employed by us. It is anticipated that, pursuant to this policy, non-employee directors who receive compensation from us, will be required to hold shares of our common stock with a value equal to or in excess of times the non-employee director's annualized cash retainer, the Chief Executive Officer is required to hold shares of our common stock with a value equal to or in excess of times his annualized base salary, and the other executive officers are required to hold shares of our common stock with a value equal to or in excess of times their respective annualized base salaries.

**Non-Employee Director Compensation Policy**

In connection with the consummation of this offering, we will implement a policy pursuant to which each non-employee director will receive an annual director fee of $ as well as an additional annual fee of $ for service as our chairman, $ for service as the chair of our audit committee and an additional annual fee of $ for service (including as chair) on our audit committee, each earned on a quarterly basis. Each director will also receive an annual equity award with a grant date value of $ which will vest in full on the date of our annual shareholder meeting immediately following the date of grant, subject to the nonemployee director continuing in service through such meeting date. The award is further subject to accelerated vesting upon a change in control (as defined in the 2020 Plan).

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**Table of Contents**

**Director Compensation**

- **Joel Cutler**
- **Michael Eisenberg**
- **G. Thompson Hutton**
- **Mwashuma Nyatta**
- **Haim Sadger**
- **Caryn Seidman-Becker**

<table>
<thead>
<tr>
<th>Name</th>
<th>Fees Earned in Cash</th>
<th>Stock Awards</th>
<th>Option Awards</th>
<th>Non-Equity Incentive Plan Compensation</th>
<th>Nonqualified Deferred Compensation Earnings</th>
<th>All Other Compensation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joel Cutler</td>
<td>$—</td>
<td>—</td>
<td>—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>Michael Eisenberg</td>
<td>$—</td>
<td>—</td>
<td>—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>G. Thompson Hutton</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>Mwashuma Nyatta</td>
<td>$—</td>
<td>—</td>
<td>—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>Haim Sadger</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>Caryn Seidman-Becker</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
</tr>
</tbody>
</table>

(1) Amounts reflect the full grant-date fair value of stock awards and stock options granted during 2019 computed in accordance with ASC Topic 718, rather than the amounts paid to or realized by the named individual. We provide information regarding the assumptions used to calculate the value of all stock awards and option awards made to our directors in Note 13 of the notes to our consolidated financial statements included elsewhere in this prospectus.

The table below shows the aggregate numbers of option awards (exercisable and unexercisable) and unvested stock awards held as of March 31, 2020 by each non-employee director who was serving as of March 31, 2020.

<table>
<thead>
<tr>
<th>Name</th>
<th>Options Outstanding at Fiscal Year End</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caryn Seidman-Becker</td>
<td>150,000</td>
</tr>
</tbody>
</table>
EXECUTIVE COMPENSATION

This section discusses the material components of the executive compensation program for our executive officers who are named in the "Summary Compensation Table" below. In 2019, our "named executive officers" and their positions were as follows:

- Daniel Schreiber, Co-Founder and Chief Executive Officer;
- Shai Wininger, Co-Founder, President, and Chief Operating Officer;
- Tim Bixby, Chief Financial Officer;
- John Peters, Chief Insurance Officer; and
- Jorge Espinel, Chief Business Development Officer

This discussion may contain forward-looking statements that are based on our current plans, considerations, expectations, and determinations regarding future compensation programs. Actual compensation programs that we adopt following the completion of the IPO may differ materially from the currently planned programs summarized in this discussion.

Summary Compensation Table

The following table sets forth information concerning the compensation of our named executive officers for the year ended December 31, 2019.

<table>
<thead>
<tr>
<th>Name and Principal Position</th>
<th>Year</th>
<th>Salary (1)</th>
<th>Option Awards (2)</th>
<th>All Other Compensation (1)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daniel Schreiber, Co-Founder and Chief Executive Officer</td>
<td>2019</td>
<td>$266,667</td>
<td>—</td>
<td>$90,244 (3)</td>
<td>$356,911</td>
</tr>
<tr>
<td>Shai Wininger, Co-Founder, President, and Chief Operating Officer</td>
<td>2019</td>
<td>$266,667</td>
<td>—</td>
<td>$93,168 (4)</td>
<td>$359,835</td>
</tr>
<tr>
<td>Tim Bixby, Chief Financial Officer</td>
<td>2019</td>
<td>$300,000</td>
<td>$4,552,259</td>
<td>$8,400 (5)</td>
<td>$4,035,101</td>
</tr>
<tr>
<td>John Peters, Chief Insurance Officer</td>
<td>2019</td>
<td>$425,000</td>
<td>$292,860</td>
<td>$8,400 (5)</td>
<td>$717,860</td>
</tr>
<tr>
<td>Jorge Espinel, Chief Business Development Officer</td>
<td>2019</td>
<td>$300,000</td>
<td>$642,430</td>
<td>$8,400 (5)</td>
<td>$827,110</td>
</tr>
</tbody>
</table>

(1) Compensation amounts received in non-U.S. currency have been converted into U.S. dollars using an exchange rate of 3.6 New Israeli Shekel ("NIS") per dollar (which was the average exchange rate for 2019).
(2) Amounts reflect the full grant-date fair value of stock options granted during 2019 computed in accordance with ASC Topic 718, rather than the amounts paid to or realized by the named individual.
(3) Amount reflects (i) a contribution of $14,283 by the company to an Israeli pension plan, (ii) a contribution of $735 by the company as recuperation pay, (iii) a payment of $8,204 for unused vacation days, (iv) a company-paid car allowance and related expenses of $23,008, (v) a contribution of $22,213 by the company to an Israeli severance fund, (vi) a contribution of $1,800 by the company to an Israeli disability fund, and (vii) a contribution of $20,000 by the company for an Israeli education fund.
(4) Amount reflects (i) a contribution of $14,283 by the company to an Israeli pension plan, (ii) a contribution of $735 by the company as recuperation pay, (iii) a payment of $8,204 for unused vacation days, (iv) a company-paid car allowance and related expenses of $25,929, (v) a contribution of $22,217 by the company to an Israeli severance fund, (vi) a contribution of $1,800 by the company to an Israeli disability fund, and (vii) a contribution of $20,000 by the company for an Israeli education fund.
(5) Amount reflects standard accrued 401(k) matching contributions for 2019, which was paid in 2020.
Elements of the Company's Executive Compensation Program

For the year ended December 31, 2019, the compensation for each named executive officer generally consisted of a base salary, standard employee benefits, and a retirement plan, as well as Company contributions to an Israeli education fund and Company-paid car allowances for Messrs. Schreiber and Wininger. Messrs. Bixby, Peters, and Espinel also received option awards in 2019. We do not provide annual cash bonuses to our named executive officers. These elements (and the amounts of compensation and benefits under each element) were selected because we believe they are necessary to help us attract and retain executive talent which is fundamental to our success. Below is a more detailed summary of the current executive compensation program as it relates to our named executive officers.

Base Salaries

The named executive officers receive a base salary to compensate them for services rendered to our Company. The base salary payable to each named executive officer is intended to provide a fixed component of compensation reflecting the executive's skill set, experience, role, and responsibilities. Each named executive officer's initial base salary was provided in his employment agreement. The actual base salaries paid to each named executive officer for 2019 are set forth above in the Summary Compensation Table in the column entitled "Salary."

Equity Compensation

We maintain an equity incentive plan, the Lemonade Inc. Amended and Restated 2015 Incentive Share Option Plan (the "2015 Plan"). The 2015 Plan provides our and our Israeli subsidiary's employees (including the named executive officers), consultants, non-employee directors, and other service providers and those of our affiliates the opportunity to participate in the equity appreciation of our business through the receipt of options to purchase shares of our common stock. We believe that such stock options encourage a sense of proprietorship and stimulate interest in our development and financial success. The maximum number of shares of common stock reserved under the 2015 Plan is 7,312,590.

Pursuant to the 2015 Plan, we granted stock options to Mr. Peters on February 6, 2019, covering 50,000 shares of our common stock, in connection with an annual award in the ordinary course. On December 1, 2019, Mr. Bixby and Mr. Espinel received 354,300 and 50,000 shares of our common stock, respectively, in connection with an annual award in the ordinary course. Option awards are each scheduled to vest over a four-year period, subject to the executive's continued employment with the Company through each applicable vesting date. No other named executive officers were granted equity compensation in 2019.

As of , stock options covering an aggregate of shares of our common stock were outstanding under the 2015 Plan. It is anticipated that any unvested stock options granted pursuant to the 2015 Plan will remain outstanding and continue to vest in accordance with their terms upon and following the effectiveness of this offering. Following the effectiveness of this offering, we do not intend to make any new grants of awards under the 2015 Plan.

In connection with this offering, we intend to adopt a 2020 Incentive Award Plan, referred to below as the 2020 Plan, in order to facilitate the grant of cash and equity incentives to directors, employees (including our named executive officers), and consultants of our company and certain of its affiliates and to enable our company and certain of its affiliates to obtain and retain services of these individuals, which is essential to our long-term success. We expect that the 2020 Plan will be effective on the date prior to the effective date of the registration statement of which this prospectus is a part, subject to approval of such plan by our board of directors and our current stockholders. For additional information about the Plan, see "Equity Incentive Plan" below.
Other Elements of Compensation

Retirement Plans

We currently maintain a 401(k) retirement savings plan for our U.S. employees, including our U.S.-based named executive officers, who satisfy certain eligibility requirements. The Internal Revenue Code allows eligible employees to defer a portion of their compensation, within prescribed limits, on a pre-tax basis through contributions to the 401(k) plan. We believe that providing a vehicle for tax-deferred retirement savings though our 401(k) plan, adds to the overall desirability of our executive compensation package and further incentivizes our employees, including our named executive officers, in accordance with our compensation policies. For the year ended December 31, 2019, the Company approved contributions to match 100% of employee contributions to their 401(k) plans, up to 3% of each employee's gross wages. These contributions are expected to amount to $0.3 million. We do not maintain any defined benefit pension plans or deferred compensation plans for our named executive officers.

Our Israeli employees, including our Israel-based named executive officers, are eligible to receive retirement benefits under the provident fund in Israel. We make annual contributions to such plan for our Israel-based named executive officers on the same terms as the contributions we make for all full-time Israeli employees.

Employee Benefits and Perquisites

Health/Welfare Plans. All of our full-time U.S. based employees, including our U.S.-based named executive officers, are eligible to participate in our health and welfare plans, including:

• medical, dental, and vision benefits;
• medical and dependent care flexible spending accounts;
• short-term and long-term disability insurance; and
• basic and supplemental life insurance and accidental death and dismemberment.

The Company provides an amount ranging from $900 to $1,575 per month (depending on whether an employee has a spouse and/or dependents) to all of our full-time U.S. employees, including our U.S.-based named executive officers, who participate in our health insurance plans, as a benefits supplement which can be used towards the health insurance premium payments under such plans. The Company may provide a payment of $200 per month if an employee elects not to participate in the health insurance plans. All of our U.S.-based named executive officers participate in our health insurance plans on the same terms as our other U.S. employees.

Messrs. Schreiber and Wininger receive a car allowance from the Company. The actual car allowance amounts paid to Messrs. Schreiber and Wininger for 2019 are set forth above in the Summary Compensation Table in the column entitled “All Other Compensation.”

We believe the perquisites described above are necessary and appropriate to provide a competitive compensation package to our named executive officers.

No Tax Gross-Ups

We do not make gross-up payments to cover our named executive officers’ personal income taxes that may pertain to any of the compensation or perquisites paid or provided by our Company.
### Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the number of shares of common stock underlying outstanding equity incentive plan awards for each named executive officer as of December 31, 2019.

<table>
<thead>
<tr>
<th>Name</th>
<th>Grant Date</th>
<th>Option Awards</th>
<th>Stock Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Number of Securities Underlying Unexercised Options (#)</td>
<td>Number of Securities Underlying Unexercised Options (#)</td>
</tr>
<tr>
<td>Daniel Schreiber</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Shai Wininger</td>
<td>6/1/17</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Tim Bixby</td>
<td>12/1/19</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>10/2/16</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>3/8/17</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>3/8/17</td>
<td>43,750</td>
<td>31,250</td>
</tr>
<tr>
<td></td>
<td>3/28/18</td>
<td>21,875</td>
<td>28,125</td>
</tr>
<tr>
<td></td>
<td>2/6/19</td>
<td>—</td>
<td>50,000</td>
</tr>
<tr>
<td>John Peters</td>
<td>10/7/18</td>
<td>87,500</td>
<td>262,500</td>
</tr>
<tr>
<td></td>
<td>12/1/19</td>
<td>—</td>
<td>50,000</td>
</tr>
</tbody>
</table>

(1) Represents the fair market value per share of our common stock of $23.69 on December 31, 2019, multiplied by the number of shares that had not vested as of that date.

(2) 25% of the restricted shares vested upon the first anniversary of the grant date, and the remaining 75% of the restricted shares vest in 12 equal quarterly installments thereafter, subject to continued service through each vesting date. The vesting will accelerate upon the occurrence of a “Change of Control” (as defined in the applicable stock purchase agreement, and which does not include this offering). This award included 350,000 restricted shares.

(3) 25% of the stock options vested upon the first anniversary of the grant date, and the remaining 75% vest in 12 equal quarterly installments thereafter, subject to continued service through each vesting date.

(4) 25% of the restricted shares vested upon the first anniversary of the grant date, and the remaining 75% of the restricted shares vest in 12 equal quarterly installments thereafter, subject to continued service through each vesting date. The vesting will accelerate upon the occurrence of a “Change of Control” (as defined in the applicable stock purchase agreement, and which does not include this offering). This award included 231,524 restricted shares and Mr. Peters sold 158,273 of such vested restricted shares prior to December 31, 2019.

(5) 25% of the restricted shares vested upon the first anniversary of the grant date, and the remaining 75% of the restricted shares vest in 12 equal quarterly installments thereafter, subject to continued service through each vesting date. The vesting will accelerate upon the occurrence of a “Change of Control” (as defined in the applicable stock purchase agreement, and which does not include this offering). This award included 100,000 restricted shares and Mr. Peters sold 9,714 of such vested restricted shares prior to December 31, 2019.

(6) 25% of the stock options vested upon the first anniversary of the grant date, and the remaining 75% vest in 12 equal quarterly installments thereafter, subject to continued service through each vesting date. This award includes 100,000 options and Mr. Peters exercised 25,000 of such vested options into shares of common stock prior to December 31, 2019.

(7) 25% of the stock options vest upon the first anniversary of the grant date, and the remaining 75% vest in 12 equal quarterly installments thereafter, subject to continued service through each vesting date.

(8) 25% of the stock options vest upon the first anniversary of the grant date, and the remaining 75% vest in 12 equal quarterly installments thereafter, subject to continued service through each vesting date.
Executive Compensation Arrangements

Daniel Schreiber

On July 1, 2015, the company entered into an employment agreement with Mr. Schreiber (the "Schreiber Employment Agreement"), providing for his employment as Chief Executive Officer of the company. The Schreiber Employment Agreement was amended on July 29, 2015. Mr. Schreiber's employment with the company is at-will and either party may terminate the Schreiber Employment Agreement at any time with 90 days' prior written notice of termination. The company may decide to terminate Mr. Schreiber's employment effective as of such notice and instead pay Mr. Schreiber a lump sum in an amount equal to 90 days' of his annual base salary.

The Schreiber Employment Agreement provides that Mr. Schreiber is entitled to a base salary of NIS 55,000 per month, which was increased to NIS 80,000 per month in March 2018 to better align his compensation with comparable executives within the company and the general market. Mr. Schreiber participates in a Managers Insurance Plan pursuant to which the company contributes 13.3% of his monthly salary. Mr. Schreiber participates in the provident fund in Israel, pursuant to which the company contributed $14,283 in fiscal 2019. In addition, the company contributes 7.5% of Mr. Schreiber's monthly salary to an education fund, to which Mr. Schreiber also contributes 2.5% of his monthly salary. Pursuant to the Schreiber Employment Agreement, upon termination of Mr. Schreiber's employment by the company without Cause, Mr. Schreiber will be entitled to receive, in addition to any accrued amounts, (i) his annual base salary for a period of three months, (ii) the value of all benefit plans in which Mr. Schreiber participated for a period of nine months, (iii) acceleration of three months' of vesting of any outstanding equity awards, and (iv) all sums accumulated in the education fund.

"Cause" is defined in the Schreiber Employment Agreement generally as (i) circumstances entitling the Company under any applicable law to terminate the employment of Mr. Schreiber without payment of severance pay; (ii) any material breach by Mr. Schreiber of the Schreiber Employment Agreement, any breach of the non-disclosure agreement or any breach of Mr. Schreiber's fiduciary duties; (iii) Mr. Schreiber's conviction of any felony involving moral turpitude and/or (iv) Mr. Schreiber's willful failure to perform his responsibilities or duties, which, as a result, have a significant adverse effect on the company in clauses (ii) and (iv) above, but in each case only if Mr. Schreiber did not cure such breach within seven days of written notification of the same by the company.
Shai Wininger

On July 1, 2015, the company entered into an employment agreement with Mr. Wininger (the "Wininger Employment Agreement"), providing for his employment as Chief Technology Officer of the company. The Wininger Employment Agreement was amended on July 29, 2015. Mr. Wininger's employment with the company is at-will and either party may terminate the Wininger Employment Agreement at any time with 90 days' prior written notice of termination. The company may decide to terminate Mr. Wininger's employment effective as of such notice and instead pay Mr. Wininger a lump sum in an amount equal to 90 days' of his annual base salary.

The Wininger Employment Agreement provides that Mr. Wininger is entitled to a base salary of NIS 55,000 per month, which was increased to NIS 80,000 per month in March 2018 to better align his compensation with comparable executives within the company and the general market. Mr. Wininger participates in a Managers Insurance Plan pursuant to which the company contributes 13.3% of his monthly salary. Mr. Wininger participates in the provident fund in Israel, pursuant to which the company contributed $14,283 in fiscal 2019. In addition, the company contributes 7.5% of Mr. Wininger's monthly salary to an education fund, to which Mr. Wininger also contributes 2.5% of his monthly salary. Pursuant to the Wininger Employment Agreement, upon termination of Mr. Wininger's employment by the company without Cause, Mr. Wininger will be entitled to receive, in addition to any accrued amounts, (i) his annual base salary for a period of three months, (ii) the value of any benefit plans in which Mr. Wininger participated for a period of nine months, (iii) acceleration of three months' of vesting of any outstanding equity awards, and (iv) all sums accumulated in the education fund.

"Cause" is defined in the Wininger Employment Agreement generally as (i) circumstances entitling the company under any applicable law to terminate the employment of Mr. Wininger without payment of severance pay; (ii) any material breach by Mr. Wininger of the Wininger Employment Agreement, any breach of the non-disclosure agreement or any breach of Mr. Wininger's fiduciary duties; (iii) Mr. Wininger's conviction of any felony involving moral turpitude; and/or (iv) Mr. Wininger's willful failure to perform his responsibilities or duties, which, as a result, have a significant adverse effect on the company in clauses (ii) and (iv) above, but in each case only if Mr. Wininger did not cure such breach within seven days of written notification of the same by the company.

John Peters

On October 3, 2016, the company entered into an employment agreement with Mr. Peters (the "Peters Employment Agreement"), providing for his position as Chief Underwriting Officer of the Company. Mr. Peters' employment with the company is at-will and either party may terminate the Peters Employment Agreement without notice.

The Peters Employment Agreement provides that Mr. Peters is entitled to a base salary of $225,000 per year. Upon termination of Mr. Peters' employment by the company without Cause or if Mr. Peters resigns for Good Reason, Mr. Peters will be entitled to receive, in addition to any accrued amounts of compensation, benefits, and reimbursable expenses, (i) continuation of his annual base salary (as of the termination date or, in the case of Good Reason, as of the day before any reduction in base salary leading to Mr. Peter's resignation for Good Reason, whichever is higher), payable in equal installments over a six-month period and (ii) subject to Mr. Peter's copayment of premium amounts at the active employee rate, payment of the remainder of premiums for participation in the health plan pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") until the earlier of the end of the six-month period or the expiration of Mr. Peters' rights under COBRA. On February 22, 2017, to better align his compensation with
comparable executives in the general market, Mr. Peters received an increase in his annual base salary from $225,000 to $425,000.

"Cause" is defined in the Peters Employment Agreement generally as the following conduct of Mr. Peters: (i) Mr. Peters' breach of any material provisions of the Peters Employment Agreement, provided that the company must notify Mr. Peters in writing within 30 days of the date such purported breach occurs, and Mr. Peters shall have 30 days from his receipt of notice to cure the purported violation, with the company's reasonable cooperation during such period, further provided that only two such notices shall be required in any 12 month period; (ii) Mr. Peters' material refusal to perform the duties assigned to him under or pursuant to the Peters Employment Agreement, which refusal has not been cured by Mr. Peters after receiving 10 days' written notice of such breach, provided, however, that only two notices shall be required in any 12 month period; (iii) misappropriation of material funds or material property of the company so as to cause damage to the Company; (iv) violation any written policy of the company set forth in the company's employee handbook, provided that the company must notify Mr. Peters in writing within 30 days of the date such purported violation occurs, and Mr. Peters shall have 30 days from his receipt of notice to cure the purported violation, with the company's reasonable cooperation during such period; (v) a material breach of Mr. Peters' duty of loyalty to the company; (vi) acts of material dishonesty by Mr. Peters that cause the company to be in violation of governmental regulations that subject the company either to material sanctions by governmental authority or to material civil liability to its employees or third parties; and (vii) disclosure or use of confidential information of the company, other than as specifically authorized and required in the performance of Mr. Peters' duties.

"Good Reason" is defined in the Peters Employment Agreement generally as the occurrence of any of the following events: (i) a material reduction in Mr. Peters' then effective base salary; (ii) a material reduction in Mr. Peters' aggregate company-provided benefits below those in effect immediately prior to such change, if such reduction is not applied as part of an overall reduction in benefits in which Mr. Peters is treated proportionally with other employees, given his position, length of service, income, and other relevant factors customary for companies such as the company in the medical device industry at the time, unless Mr. Peters accepts such reduction in writing; (iii) a material reduction by the company of Mr. Peters' duties or responsibilities; (iv) a failure or refusal of any acquiring or surviving corporation or other entity or person to assume the company's obligations under the Peters Employment Agreement; or (v) any material breach by the company of any of the material provisions of the Peters Employment Agreement. In order to resign for Good Reason, (x) Mr. Peters must notify the company in writing of the occurrence of the Good Reason condition within 60 days of the occurrence of the condition, (y) Mr. Peters must cooperate in good faith with the company's efforts during the 30-day cure period, and (z) the Good Reason condition must continue to exist and Mr. Peters must terminate his employment within 60 days after the end of the cure period.

**Offer Letters**

**Tim Bixby**

On May 25, 2017, the Company gave Mr. Bixby an offer letter (the "Bixby Offer Letter"), providing for his position as Chief Financial Officer of the company. Mr. Bixby's employment with the company is at-will and either party may terminate Mr. Bixby's employment at any time with 60 days' prior written notice of termination, and the company may terminate Mr. Bixby's employment for Cause without any notice. The company may decide to terminate Mr. Bixby's employment effective as of such notice and instead pay Mr. Bixby a lump sum in an amount equal to 60 days' of his annual base salary.
The Bixby Offer Letter provides that Mr. Bixby is entitled to a base salary of $300,000 per year.

"Cause" is defined in the Bixby Offer Letter generally as (i) Mr. Bixby's conviction for any felony involving moral turpitude or affecting the company or any affiliated company; (ii) Mr. Bixby's embezzlement of funds of the company or any affiliated company; (iii) any breach of Mr. Bixby's fiduciary duties or duties of care towards the company or any affiliated company (including without limitation any disclosure of confidential information of the company or any affiliated company or any breach of a non-competition undertaking); (iv) any conduct in bad faith reasonably determined by the board of directors of the company to be materially detrimental to the company or, with respect to any affiliated company to be materially detrimental to either the company or such affiliated company; or (v) any breach of Mr. Bixby's undertakings under his non-disclosure developments assignments and non-compete covenants with the company.

Jorge Espinel

On August 26, 2018, the company gave Mr. Espinel an offer letter (the "Espinel Offer Letter"), providing for his position as Chief Business Development Officer of the company. Mr. Espinel's employment with the company is at-will and either party may terminate Mr. Espinel's employment for any reason other than for Cause at any time with 14 days' prior written notice of termination. If the company terminates Mr. Espinel's employment during the first two years of employment without Cause, the 14-day notice period will be replaced with a 90-day notice period. The company may decide to terminate Mr. Espinel's employment effective as of such notice and instead pay Mr. Espinel a lump sum in the amount equal to 14 days or 90 days' of his annual base salary, depending on the reason for termination. The company may terminate Mr. Espinel's employment for Cause without any notice.

The Espinel Offer Letter provides that Mr. Espinel is entitled to a base salary of $300,000 per year and 350,000 stock options of company common stock, subject to four-year vesting. Mr. Espinel may receive 50,000 additional stock options at the first board meeting after his first anniversary with the company and at each of the successive two anniversaries, subject to 25% vesting on the first anniversary of the grant, followed by quarterly vesting for the next three years. Pursuant to the Espinel Offer Letter, upon termination of Mr. Espinel's employment without Cause in Mr. Espinel's first two years of employment, if the company does not have insurance clearances in all 50 states for at least six months at such time, Mr. Espinel will be entitled to receive accelerated vesting of his stock options so that his total vested stock options would be equal to 175,000. In addition, Mr. Espinel's option agreement will include (i) an acceleration right pursuant to the option plan and (ii) extension of the post-employment period during which Mr. Espinel can exercise vested options until the date which is six months following when Mr. Espinel is able to exercise his stock options on an established stock exchange or in a national market system, but not beyond the date when the ten year term of the stock options expire.

"Cause" is defined in the Espinel Offer Letter generally as (i) Mr. Espinel's conviction for any felony involving moral turpitude or affecting the company or any affiliated company; (ii) Mr. Espinel's embezzlement of funds of the company or any affiliated company; (iii) any breach of Mr. Espinel's fiduciary duties or duties of care towards the company or any affiliated company (including without limitation any disclosure of confidential information of the company or any affiliated company or any breach of a non-competition undertaking); or (iv) any conduct in bad faith reasonably determined by the board of directors of the company to be materially detrimental to the company or, with respect to any affiliated company, reasonably determined by the board of directors of such affiliated company to be materially detrimental to either the company or such affiliated company.

It is anticipated that in connection with this offering, the named executive officers will enter into new employment agreements, which will be summarized in a later filing.
Equity Incentive Plans

Amended and Restated 2015 Incentive Share Option Plan

We currently maintain the 2015 Plan, as described above. On and after the closing of this offering and following the effectiveness of the 2020 Plan, no further option grants will be made under the 2015 Plan.

Stock Purchase Agreements

On October 3, 2016 and March 8, 2017, we entered into stock purchase agreements with Mr. Peters, covering 231,524 restricted shares and 100,000 restricted shares, respectively. On June 1, 2017, we entered into a stock purchase agreement with Mr. Bixby, covering 350,000 restricted shares. On and after the closing of this offering, the restricted shares will remain outstanding and continue to vest in accordance with their terms.

2020 Incentive Award Plan

In connection with the offering, we plan to adopt the 2020 Plan under which we may grant cash and equity-based incentive awards to eligible service providers in order to attract, motivate and retain the talent for which we compete. The material terms of the 2020 Plan are summarized below.

Eligibility and Administration

Our employees, consultants and directors, and employees, consultants and directors of our parents and subsidiaries are eligible to receive awards under the 2020 Plan. The 2020 Plan is administered by our board of directors with respect to awards to non-employee directors and by the compensation committee with respect to other participants, each of which may delegate its duties and responsibilities to committees of our directors and/or officers (referred to collectively as the plan administrator below), subject to certain limitations that may be imposed under Section 16 of the Exchange Act, and/or stock exchange rules, as applicable. The plan administrator has the authority to make all determinations and interpretations under, prescribe all forms for use with, and adopt rules for the administration of, the 2020 Plan, subject to its express terms and conditions. The plan administrator will also set the terms and conditions of all awards under the 2020 Plan, including any vesting and vesting acceleration conditions.

Limitation on Awards and Shares Available

The maximum number of shares of our common stock available for issuance under the 2020 Plan is equal to the sum of (i) shares of our common stock, (ii) any shares which, as of the 2020 Plan’s effective date, are available for issuance under the 2015 Plan, or are subject to awards under the 2015 Plan which are forfeited or lapse unexercised and (iii) an annual increase on the first day of each year beginning in 2021 and ending in and including 2030, equal to the lesser of (A) of the outstanding shares of all classes of our common stock on the last day of the immediately preceding fiscal year and (B) such lesser amount as determined by our board of directors; provided, however, no more than shares may be issued upon the exercise of incentive stock options, or ISOs. The share reserve formula under the 2020 Plan is intended to provide us with the continuing ability to grant equity awards to eligible employees, directors and consultants for the ten-year term of the 2020 Plan.

Awards granted under the 2020 Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by an entity in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock will not
reduce the shares authorized for grant under the 2020 Plan. The maximum grant date fair value of awards granted to any non-employee director pursuant to the 2020 Plan during any calendar year is $\ldots$.

**Awards**

The 2020 Plan provides for the grant of stock options, including ISOs, and nonqualified stock options, or NSOs, restricted stock, dividend equivalents, stock payments, restricted stock units, or RSUs, other incentive awards, SARs, and cash awards. Certain awards under the 2020 Plan may constitute or provide for a deferral of compensation, subject to Section 409A of the Code, which may impose additional requirements on the terms and conditions of such awards. All awards under the 2020 Plan will be set forth in award agreements, which will detail all terms and conditions of the awards, including any applicable vesting and payment terms and post-termination exercise limitations. Awards other than cash awards generally will be settled in shares of our common stock, but the plan administrator may provide for cash settlement of any award. A brief description of each award type follows.

- **Stock Options.** Stock options provide for the purchase of shares of our common stock in the future at an exercise price set on the grant date. ISOs, by contrast to NSOs, may provide tax deferral beyond exercise and favorable capital gains tax treatment to their holders if certain holding period and other requirements of the Code are satisfied. The exercise price of a stock option may not be less than 100% of the fair market value of the underlying share on the date of grant (or 110% in the case of ISOs granted to certain significant stockholders), except with respect to certain substitute options granted in connection with a corporate transaction. The term of a stock option may not be longer than ten years (or five years in the case of ISOs granted to certain significant stockholders).

- **SARs.** SARs entitle their holder, upon exercise, to receive from us an amount equal to the appreciation of the shares subject to the award between the grant date and the exercise date. The exercise price of a SAR may not be less than 100% of the fair market value of the underlying share on the date of grant (except with respect to certain substitute SARs granted in connection with a corporate transaction) and the term of a SAR may not be longer than ten years.

- **Restricted Stock and RSUs.** Restricted stock is an award of nontransferable shares of our common stock that remain forfeitable unless and until specified conditions are met, and which may be subject to a purchase price. RSUs are contractual promises to deliver shares of our common stock in the future, which may also remain forfeitable unless and until specified conditions are met. Delivery of the shares underlying RSUs may be deferred under the terms of the award or at the election of the participant, if the plan administrator permits such a deferral.

- **Stock Payments, Other Incentive Awards and Cash Awards.** Stock payments are awards of fully vested shares of our common stock that may, but need not, be made in lieu of base salary, bonus, fees or other cash compensation otherwise payable to any individual who is eligible to receive awards. Other incentive awards are awards other than those enumerated in this summary that are denominated in, linked to or derived from shares of our common stock or value metrics related to our shares, and may remain forfeitable unless and until specified conditions are met. Cash awards are cash incentive bonuses subject to performance goals.

- **Dividend Equivalents.** Dividend equivalents represent the right to receive the equivalent value of dividends paid on shares of our common stock and may be granted alone or in
tandem with awards other than stock options or SARs. Dividend equivalents are credited as of dividend record dates during the period between the date an award is granted and the date such award vests, is exercised, is distributed or expires, as determined by the plan administrator.

Vesting

Vesting conditions determined by the plan administrator may apply to each award and may include continued service, performance and/or other conditions.

Certain Transactions

The plan administrator has broad discretion to take action under the 2020 Plan, as well as make adjustments to the terms and conditions of existing and future awards, to prevent the dilution or enlargement of intended benefits and facilitate necessary or desirable changes in the event of certain transactions and events affecting our common stock, such as stock dividends, stock splits, mergers, acquisitions, consolidations and other corporate transactions. In addition, in the event of certain non-reciprocal transactions with our stockholders known as "equity restructurings," the plan administrator will make equitable adjustments to the 2020 Plan and outstanding awards. In the event of a "change in control" of the company (as defined in the 2020 Plan), to the extent that the surviving entity declines to continue, convert, assume or replace outstanding awards, then the plan administrator may provide that all such awards will terminate in exchange for cash or other consideration, or become fully vested and exercisable in connection with the transaction. Upon or in anticipation of a change in control, the plan administrator may cause any outstanding awards to terminate at a specified time in the future and give the participant the right to exercise such awards during a period of time determined by the plan administrator in its sole discretion. Individual award agreements may provide for additional accelerated vesting and payment provisions.

Foreign Participants

The plan administrator may modify award terms, establish subplans and/or adjust other terms and conditions of awards, subject to the share limits described above, in order to facilitate grants of awards subject to the laws and/or stock exchange rules of countries outside of the United States. The 2020 Plan will include an appendix for Israeli taxpayers pursuant to which tax-qualified options may be granted to eligible employees under Section 102 of the Israeli Income Tax Ordinance.

Claw-Back Provisions, Transferability, and Participant Payments

All awards will be subject to the provisions of any claw-back policy implemented by us to the extent set forth in such claw-back policy and/or in the applicable award agreement. With limited exceptions for estate planning, domestic relations orders, certain beneficiary designations and the laws of descent and distribution, awards under the 2020 Plan are generally non-transferable, and are exercisable only by the participant. With regard to tax withholding, exercise price and purchase price obligations arising in connection with awards under the 2020 Plan, the plan administrator may, in its discretion, accept cash or check, provide for net withholding of shares, allow shares of our common stock that meet specified conditions to be repurchased, allow a "market sell order" or such other consideration as it deems suitable.

Plan Amendment and Termination

Our board of directors may amend or terminate the 2020 Plan at any time; however, except in connection with certain changes in our capital structure, stockholder approval will be required for any amendment that increases the number of shares available under the 2020 Plan. No incentive
2020 Employee Stock Purchase Plan

In connection with offering, we intend to adopt and ask our stockholders to approve the 2020 Employee Stock Purchase Plan, (the "2020 ESPP"), the material terms of which are summarized below.

The 2020 ESPP is comprised of two distinct components in order to provide increased flexibility to grant options to purchase shares under the 2020 ESPP to U.S. and to non-U.S. employees. Specifically, the 2020 ESPP authorizes (1) the grant of options to U.S. employees that are intended to qualify for favorable U.S. federal tax treatment under Section 423 of the Code, (the "Section 423 Component"), and (2) the grant of options that are not intended to be tax-qualified under Section 423 of the Code to facilitate participation for employees located outside of the U.S. who do not benefit from favorable U.S. federal tax treatment and to provide flexibility to comply with non-U.S. law and other considerations (the "Non-Section 423 Component"). Where permitted under local law and custom, we expect that the Non-Section 423 Component will generally be operated and administered on terms and conditions similar to the Section 423 Component.

Shares Available for Awards; Administration. A total of shares of our common stock will initially be reserved for issuance under the 2020 ESPP. In addition, the number of shares available for issuance under the 2020 ESPP will be annually increased on January 1 of each calendar year beginning in 2021 and ending in and including 2030, by an amount equal to the lesser of (A) Shares, (B) % of the shares outstanding on the final day of the immediately preceding calendar year and (C) such smaller number of shares as is determined by our board of directors, provided that no more than shares of our common stock may be issued under the Section 423 Component. Our board of directors or a committee of our board of directors will administer and will have authority to interpret the terms of the 2020 ESPP and determine eligibility of participants. We expect that the compensation committee will be the initial administrator of the 2020 ESPP.

Eligibility. We expect that all of our employees will be eligible to participate in the 2020 ESPP. However, an employee may not be granted rights to purchase stock under our 2020 ESPP if the employee, immediately after the grant, would own (directly or through attribution) stock possessing 5% or more of the total combined voting power or value of all classes of our stock.

Grant of Rights. Stock will be offered under the 2020 ESPP during offering periods. The length of the offering periods under the 2020 ESPP will be determined by the plan administrator and may be up to twenty-seven months long. Employee payroll deductions will be used to purchase shares on each purchase date during an offering period. The purchase dates for each offering period will be the final trading day in the offering period. Offering periods under the 2020 ESPP will commence when determined by the plan administrator. The plan administrator may, in its discretion, modify the terms of future offering periods. In non-U.S. jurisdictions where participation in the 2020 ESPP through payroll deductions is prohibited, the plan administrator may provide that an eligible employee may elect to participate through contributions to the participant's account under the 2020 ESPP in a form acceptable to the 2020 ESPP administrator in lieu of or in addition to payroll deductions.

The 2020 ESPP permits participants to purchase common stock through payroll deductions of up to a specified percentage of their eligible compensation. The plan administrator will establish a maximum number of shares that may be purchased by a participant during any offering period. In
addition, no employee will be permitted to accrue the right to purchase stock under the Section 423 Component at a rate in excess of $25,000 worth of shares during any calendar year during which such a purchase right is outstanding (based on the fair market value per share of our common stock as of the first day of the offering period).

On the first trading day of each offering period, each participant will automatically be granted an option to purchase shares of our common stock. The option will expire at the end of the applicable offering period, and will be exercised at that time to the extent of the payroll deductions accumulated during the offering period. The purchase price of the shares, in the absence of a contrary designation, will be 85% of the lower of the fair market value of our common stock on the first trading day of the offering period or on the purchase date. Participants may voluntarily end their participation in the 2020 ESPP at any time during a specified period prior to the end of the applicable offering period, and will be paid their accrued payroll deductions that have not yet been used to purchase shares of common stock. Participation ends automatically upon a participant's termination of employment.

A participant may not transfer rights granted under the 2020 ESPP other than by will or the laws of descent and distribution, and are generally exercisable only by the participant.

**Certain Transactions.** In the event of certain non-reciprocal transactions or events affecting our common stock, the plan administrator will make equitable adjustments to the 2020 ESPP and outstanding rights. In the event of certain unusual or non-recurring events or transactions, including a change in control, the plan administrator may provide for (1) either the replacement of outstanding rights with other rights or property or termination of outstanding rights in exchange for cash, (2) the assumption or substitution of outstanding rights by the successor or survivor corporation or parent or subsidiary thereof, if any, (3) the adjustment in the number and type of shares of stock subject to outstanding rights, (4) the use of participants’ accumulated payroll deductions to purchase stock on a new purchase date prior to the next scheduled purchase date and termination of any rights under ongoing offering periods or (5) the termination of all outstanding rights.

**Plan Amendment.** The plan administrator may amend, suspend or terminate the 2020 ESPP at any time. However, stockholder approval will be obtained for any amendment that increases the aggregate number or changes the type of shares that may be sold pursuant to rights under the 2020 ESPP or changes the corporations or classes of corporations whose employees are eligible to participate in the 2020 ESPP.
PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of March 31, 2020, and as adjusted to reflect the sale of our common stock offered by us in this offering assuming no exercise of the underwriters’ option to purchase additional shares for:

• Each person or entity who is known by us to beneficially own more than 5% of our common stock;

• each of our directors and named executive officers; and

• all of our directors and executive officers as a group.

The number of shares beneficially owned by each stockholder is determined under rules issued by the SEC and includes voting or investment power with respect to securities. These rules generally provide that a person is the beneficial owner of securities if such person has or shares the power to vote or direct the voting thereof, or to dispose or direct the disposition thereof or has the right to acquire such powers within 60 days. Unless otherwise indicated, the address of all listed stockholders is c/o Lemonade, Inc., 5 Crosby Street, New York, New York 10013. Each of the stockholders listed has sole voting and investment power with respect to the shares beneficially owned by the stockholder unless noted otherwise, subject to community property laws where applicable.

We have based our calculation of the percentage of beneficial ownership prior to this offering on shares of our common stock outstanding as of March 31, 2020, which reflects (i) shares of preferred stock that will automatically convert into shares of common stock in connection with the completion of this offering pursuant to the terms of our amended and restated certificate of incorporation (the “Preferred Stock Conversion”) and (ii) the Settlement of Executive Promissory Notes, as if both had occurred as of March 31, 2020. Percentage ownership of our common stock after this offering also assumes the sale by us of shares of our common stock in this offering.

We have based our calculation of the percentage of beneficial ownership after this offering on shares of our common stock to be issued and sold by us in this offering and shares of common stock outstanding immediately after the completion of this offering, assuming that the underwriters do not exercise their option to purchase up to an additional shares of our common stock from us. In computing the number of shares of common stock beneficially owned by a person after this offering and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options held by that person or entity that are currently exercisable or that will become exercisable within 60 days of this offering. We did not

171
Table of Contents
deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

<table>
<thead>
<tr>
<th>Name of Beneficial Owner</th>
<th>Number of Shares Beneficially Owned Before the Offering</th>
<th>Percentage of Shares Beneficially Owned Before the Offering</th>
<th>Percentage of Shares Beneficially Owned After the Offering</th>
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<tbody>
<tr>
<td><strong>5% Stockholders</strong></td>
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<tr>
<td>Entities affiliated with SoftBank Group Corp.(^{(1)})</td>
<td>%</td>
<td>%</td>
<td>%</td>
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<tr>
<td>Entities affiliated with Sequoia Capital Israel Venture V Holdings, L.P. (^{(2)})</td>
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<tr>
<td>Entities affiliated with Aleph, L.P.(^{(3)})</td>
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<td>Entities affiliated with XL Innovate Fund, L.P.(^{(4)})</td>
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<td>%</td>
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<tr>
<td>Entities affiliated with General Catalyst Group VIII, L.P. and General Catalyst Group VIII Supplemental, L.P. (together, &quot;General Catalyst Partners&quot;)(^{(5)})</td>
<td>%</td>
<td>%</td>
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<tr>
<td><strong>Named Executive Officers and Directors:</strong></td>
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<tr>
<td>Daniel Schreiber(^{(6)})</td>
<td>%</td>
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<tr>
<td>Shai Wininger(^{(7)})</td>
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<tr>
<td>Tim Bixby(^{(8)})</td>
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<tr>
<td>John Peters(^{(9)})</td>
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<tr>
<td>Jorge Espinel(^{(10)})</td>
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<td>Joel Cutler(^{(11)})</td>
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<tr>
<td>Michael Eisenberg(^{(12)})</td>
<td>%</td>
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<tr>
<td>G. Thompson Hutton(^{(13)})</td>
<td>%</td>
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<tr>
<td>Mwashuma Nyatta(^{(14)})</td>
<td>%</td>
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<td>%</td>
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<tr>
<td>Haim Sadger(^{(15)})</td>
<td>%</td>
<td>%</td>
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<tr>
<td>Caryn Seidman-Becker</td>
<td>%</td>
<td>%</td>
<td>%</td>
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<tr>
<td>All directors and executive officers as a group (11 persons)</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Includes shares of Series C Preferred Stock and Series D Preferred Stock held by SoftBank Group Capital Limited. The address for this entity is 69 Grosvenor Street, London, England, United Kingdom W1K 3JP. SoftBank has delegated all of its voting and dispositive power over the Lemonade shares it holds to a three-member joint investment committee consisting of the Co-Founders and Mr. Nyatta, which shall act unanimously. Each of the members of the joint investment committee disclaims beneficial ownership of such shares.

\(^{(2)}\) Includes (i) shares of Series Seed Preferred Stock held by Sequoia Capital Israel Venture V Holdings, L.P., (ii) shares of Series A Preferred Stock held by Sequoia Capital Israel Venture V Holdings, L.P., and (iii) shares of Series B Preferred Stock held by Sequoia Capital Israel Venture V Holdings, L.P., SC Israel Venture V (TTGP), Ltd. is the general partner of SC Israel Venture V Management, L.P., which is the general partner of Sequoia Capital Israel Venture Fund V, L.P., and Sequoia Capital Israel Venture V Principals Fund, L.P., which together own 100% of the outstanding shares of Sequoia Capital Israel Venture V Holdings, L.P. As such, SC Israel Venture V (TTGP), Ltd. shares voting and dispositive power with respect to the shares held by Sequoia Capital Israel Venture V Holdings, L.P. Voting and investment decisions at SC Israel Venture V (TTGP), Ltd. with respect to the shares held by Sequoia Capital Israel Venture V Holdings, L.P. are made by an investment committee, the member of which include Haim Sadger, a member of a board of directors. The address for these entities is Ramat Yom Street 50, Herzlia, Israel 4685150.

\(^{(3)}\) Includes (i) shares of Series Seed Preferred Stock held through Aleph, L.P., (ii) shares of Series A Preferred Stock held through Aleph, L.P., (iii) shares of Series B Preferred Stock held through Aleph, L.P., (iv) shares of Series Seed Preferred Stock held through Aleph-Aleph, L.P., (v) shares of Series A Preferred Stock held through Aleph-Aleph, L.P., and (vi) shares of Series B Preferred Stock held through Aleph-Aleph, L.P. Michael Eisenberg is a partner of Aleph, L.P. and Aleph-Aleph, L.P. and has sole voting and investment power over the shares held by each of these entities. The address for these entities is Rothschild 32, Tel Aviv, Israel 61291.

\(^{(4)}\) Includes (i) shares of Series A Preferred Stock held by XL Innovate Fund, L.P. and (ii) shares of Series B Preferred Stock held by XL Innovate Fund, L.P. G. Thompson Hutton serves as a member of the board of directors and
Mr. Schreiber is a member, together with Mr. Wininger and Mr. Nyatta, of a joint investment committee having sole voting and dispositive control over the Series C Preferred Stock and Series D Preferred Stock held by SoftBank Group Capital Limited. Each of the members of the joint investment committee disclaims beneficial ownership of such shares.

Mr. Winger is a member, together with Mr. Schreiber and Mr. Nyatta, of a joint investment committee having sole voting and dispositive control over the Series C Preferred Stock and Series D Preferred Stock held by SoftBank Group Capital Limited. Each of the members of the joint investment committee disclaims beneficial ownership of such shares.

Mr. Bixby holds restricted shares that will remain outstanding and continue to vest in accordance with their terms on and after the closing of this offering.

Mr. Peters holds restricted shares that will remain outstanding and continue to vest in accordance with their terms on and after the closing of this offering. He holds stock options that are scheduled to vest over a four-year period, subject to his continued employment with us through each applicable vesting date.

Mr. Espinel holds stock options that are scheduled to vest over a four-year period, subject to his continued employment with us through each applicable vesting date.

Mr. Peters holds restricted shares that will remain outstanding and continue to vest in accordance with their terms on and after the closing of this offering. He holds stock options that are scheduled to vest over a four-year period, subject to his continued employment with us through each applicable vesting date.

Includes (i) shares of Series B Preferred Stock held by General Catalyst Group VIII, L.P. ("GC Group VIII"), (ii) shares of Series B Preferred Stock held by General Catalyst Group VIII Supplemental, L.P. ("GC Group VIII Supplemental"), (iii) shares of Series C Preferred Stock held by GC Group VIII, (iv) shares of Series C Preferred Stock held by GC Group VIII Supplemental, and (v) shares of Series D Preferred Stock held by GC Group VIII Supplemental. General Catalyst Group VIII, LLC ("GC VIII LLC") is the general partner of General Catalyst Partners VIII, L.P. ("GC VIII LP"), which is the general partner of GC Group VIII and GC Group VIII Supplemental. General Catalyst Group Management Holdings, LLC ("GCGM") is the manager of GC Group VIII and GC Group VIII Supplemental. General Catalyst Group Management Holdings GP, LLC ("GCGMH") is the general partner of GCGM. Each of Kenneth Chenault, Joel Cutler, David Fialkow, and Hemant Taneja is a managing director of GCGMH LLC and shares voting and investment power over the shares held by GC Group VIII and GC Group VIII Supplemental. Each party named above disclaims beneficial ownership of such shares. The address for each of these persons and entities is 20 University Road, 4th floor, Cambridge, Massachusetts, 02138.

Includes (i) shares of Series B Preferred Stock held by General Catalyst Group VIII, L.P. ("GC Group VIII"), (ii) shares of Series B Preferred Stock held by General Catalyst Group VIII Supplemental, L.P. ("GC Group VIII Supplemental"), (iii) shares of Series C Preferred Stock held by GC Group VIII, (iv) shares of Series C Preferred Stock held by GC Group VIII Supplemental, and (v) shares of Series D Preferred Stock held by GC Group VIII Supplemental. General Catalyst Group VIII, LLC ("GC VIII LLC") is the general partner of General Catalyst Partners VIII, L.P. ("GC VIII LP"), which is the general partner of GC Group VIII and GC Group VIII Supplemental. General Catalyst Group Management Holdings, LLC ("GCGM") is the manager of GC Group VIII and GC Group VIII Supplemental. General Catalyst Group Management Holdings GP, LLC ("GCGMH") is the general partner of GCGM. Each of Kenneth Chenault, Joel Cutler, David Fialkow, and Hemant Taneja is a managing director of GCGMH LLC and shares voting and investment power over the shares held by GC Group VIII and GC Group VIII Supplemental. Each party named above disclaims beneficial ownership of such shares. The address for each of these persons and entities is 20 University Road, 4th floor, Cambridge, Massachusetts, 02138.

Includes (i) shares of Series B Preferred Stock held through Aleph, L.P., (ii) shares of Series A Preferred Stock held through Aleph, L.P., (iii) shares of Series C Preferred Stock held through Aleph, L.P., (iv) shares of Series Seed Preferred Stock held through Aleph-Aleph, L.P., (v) shares of Series A Preferred Stock held through Aleph-Aleph, L.P., and (vi) shares of Series B Preferred Stock held through Aleph-Aleph, L.P. Michael Eisenberg is a partner of Aleph, L.P. and Aleph-Aleph, L.P. and has sole voting and investment power over the shares held by each of these entities. The address for each of these entities is Rothschild 32, Tel Aviv, Israel 61291.

Includes (i) shares of Series A Preferred Stock held by XL Innovate Fund, L.P. and (ii) shares of Series B Preferred Stock held by XL Innovate Fund, L.P. G. Thompson Hutton serves as a member of the board of directors and investment committee of XL Innovate Fund, L.P. and has sole voting and investment power over the shares held by the entity. The address for this entity is 355 Alameda de las Pulgas, 2nd Floor, Menlo Park, California 94025.

Includes shares of Series C Preferred Stock and Series D Preferred Stock held by SoftBank Group Capital Limited. Mr. Nyatta is a member, together with our Co-Founders, of the joint investment committee having sole voting and dispositive control over the Series C Preferred Stock and Series D Preferred Stock held by SoftBank Group Capital Limited. Each of the members of the joint investment committee disclaims beneficial ownership of such shares. The address for SoftBank Group Capital Limited is 69 Grosvenor Street, London, England, United Kingdom W1K 3JP.

Mr. Sadger disclaims beneficial ownership of all shares held by the Sequoia Capital entities referred to in footnote 2 above.
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of transactions since January 1, 2017 to which we were a party in which the amount involved exceeded or will exceed $120,000, and in which any of our executive officers, directors, or holders of more than 5% of any class of our voting securities, or an immediate family member thereof, had or will have a direct or indirect material interest. We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or amounts that would be paid or received, as applicable, in arm's-length transactions with unrelated third parties.

Equity Financings

Series C Convertible Preferred Stock Financing

On March 12, 2018, we sold an aggregate of 8,703,846 shares of our Series C convertible preferred stock to certain investors including affiliates of General Catalyst Partners and SoftBank Group Corp. at a purchase price of approximately $13.80 per share, for an aggregate purchase price of approximately $120.1 million ("Series C Preferred Stock"). Affiliates of each of General Catalyst Partners and SoftBank Group Corp. currently hold more than 5% of our common stock (after giving effect to the Preferred Stock Conversion). Our current director, Mr. Nyatta is a Managing Partner at SoftBank Group International and was elected to the board as the designee nominated by our Series C Preferred Stock.

Series D Convertible Preferred Stock Financing

On June 26, 2019 and September 9, 2019, we sold an aggregate of 7,107,930 shares of our Series D convertible preferred stock to certain investors, including affiliates of SoftBank Group Corp. and General Catalyst Partners, at a purchase price of approximately $42.21 per share, for an aggregate purchase price of approximately $300.0 million ("Series D Preferred Stock"). Affiliates of SoftBank Group Corp. and General Catalyst Partners, currently hold more than % and % of our common stock (after giving effect to the Preferred Stock Conversion), respectively.

Preferred Stock Conversion

Pursuant to the terms of our Amended Charter, all 31,557,107 outstanding shares of our convertible preferred stock will automatically convert into 31,557,107 shares of common stock in connection with the completion of this offering.

Investors’ Rights Agreement

We are party to an Amended and Restated Investors’ Rights Agreement (the "Investors’ Rights Agreement") with certain holders of our capital stock, including, among others, affiliates of Aleph, L.P., General Catalyst Partners, Sequoia Capital, SoftBank Group Corp., and XL Innovate Fund. Under our Investors’ Rights Agreement, certain holders of our capital stock have the right to demand that we file a registration statement or request that their shares of our capital stock be covered by a registration statement that we are otherwise filing. Pursuant to the Investors’ Rights Agreement, after the completion of this offering, certain holders of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act.

The registration rights set forth in the Investors’ Rights Agreement will expire (a) four years following the completion of this offering, (b) with respect to any particular stockholder, when such stockholder is able to sell all of its shares pursuant to Rule 144 of the Securities Act or holds 1% or less of the Company’s outstanding common stock and all Registrable Securities (as such term is defined in the Investors’ Rights Agreement) held by such holder can be sold in any three month
period, in compliance with Rule 144, or (c) after the consummation of a liquidation event under the terms of the Amended Charter. We will pay the registration expenses (other than underwriting discounts and commissions) of the holders of the shares registered pursuant to the registrations described below. In an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of shares such holders may include. We expect that our stockholders will waive their rights under the Investors' Rights Agreement (i) to receive notice of this offering and (ii) to include their registrable shares in this offering.

**Demand Registration Rights**

After the completion of this offering, the holders of up to __ shares of our common stock will be entitled to certain demand registration rights. At any time beginning six months after the effective date of this offering, the holders of at least a majority of these shares then outstanding can request that we register the offer and sale of their shares. Such request for registration must cover securities, the anticipated aggregate public offering price of which is at least $15 million. We are obligated to effect only two such registrations that have been declared or ordered effective. If we determine in good faith that it would be seriously detrimental to us and our stockholders to effect such a demand registration, we have the right to defer such registration, not more than once in any 12-month period, for a period of up to 90 days.

**Piggyback Registration Rights**

After the completion of this offering, if we propose to register the offer and sale of shares of our common stock under the Securities Act, in connection with the public offering of such common stock certain holders will be entitled to certain "piggyback" registration rights allowing such holders to include their shares in such registration, subject to certain marketing and other limitations. As a result, whenever we propose to file a registration statement under the Securities Act, other than with respect to (i) a registration pursuant to the demand registration rights described above, (ii) a registration in which the only common stock being registered is common stock issuable upon conversion of debt securities that are also being registered, (iii) a registration related to any stock plan, (iv) a corporate reorganization or other transaction covered by Rule 145 promulgated under the Securities Act, or (v) a registration on any registration form which does not include substantially the same information as would be required to be included in a registration statement covering the public offering of our common stock, the holders of these shares are entitled to notice of the registration and have the right, subject to certain limitations, to include their shares in the registration.

**S-3 Registration Rights**

Under the Investors' Rights Agreement, holders of at least 20% of the registrable securities may make a written request that we register the offer and sale of their shares on a registration statement on Form S-3. The Company will not be obligated to effect any such registration if (i) Form S-3 is not available for such offering by the holders, (ii) the holders, together with the holders of any other securities of the company entitled to inclusion in such registration, propose to sell securities at an aggregate price to the public of less than $10 million, net of any underwriters' discounts or commissions, (iii) the Company has effected two registrations on Form S-3 within the 12-month period preceding the date of the request, and (iv) the Company determines in good faith that it would be seriously detrimental to us and our stockholders to effect such a registration, in which case we have the right to defer such registration, not more than once in any 12-month period, for a period of up to 90 days.
Right of First Refusal and Co-Sale Agreement

We are party to an amended and restated right of first refusal and co-sale agreement, pursuant to which we or our assignees have a right to purchase shares of our capital stock which holders of our common stock propose to sell to other parties. Since January 1, 2017, we have waived our right of first refusal in connection with the sale of certain shares of our capital stock, resulting in the purchase of such shares by certain of our stockholders. See "Principal Stockholders" for additional information regarding beneficial ownership of our capital stock.

The amended and restated right of first refusal and co-sale agreement will terminate upon the completion of this offering.

Voting Agreement

We are party to an amended and restated voting agreement under which certain holders of our capital stock have agreed as to the manner in which they will vote their shares of our capital stock on certain matters, including with respect to the election of directors.

The amended and restated voting agreement will terminate upon the completion of this offering, at which time there will be no further contractual obligations regarding the manner in which shares are voted with respect to the election of our directors. Our directors hold office until their successors have been elected and qualified or until the earlier of their resignation or removal.

Employee Stock Purchase Agreements

In 2016 and 2017, we entered into stock purchase agreements with two executive officers where in lieu of cash payment for the stock, promissory notes were issued totaling $1.5 million, payable to us. These notes are secured by the underlying stock purchased and such unvested stock can be repurchased by us upon termination of each executive officer's employment at the original issuance price. In 2018, one executive settled a portion of the existing promissory note in an amount approximately $0.1 million inclusive of accumulated interest and, in 2019, such executive settled additional portions of the existing promissory notes in an aggregate amount around $0.2 million. All remaining amounts due under these promissory notes will be paid in full, inclusive of interest, in connection with the filing of this registration statement.

Other Transactions

We have granted equity awards to our executive officers and certain of our directors. See "Executive Compensation" and "Management — Director Compensation" for a description of these equity awards.

We use the services of a travel agency owned by a relative of one of our directors. During the years ended December 31, 2017, 2018, and 2019, we incurred travel related expenses in the amount of approximately $0.3 million, $0.2 million, and $0.3 million, respectively, in connection with these services.

We have leased office space in the United States and the Netherlands from an affiliate. Rental expense recorded for the years ended December 31, 2017, 2018, and 2019 was $0.2 million, $0.1 million, and $0.1 million, respectively.

In July 2019, our Chief Insurance Officer, John Peters, sold 38,520 shares of our common stock to three venture capital funds, for a total consideration of approximately $1.6 million. In September 2019, he sold 66,967 shares of our common stock to two venture capital funds, for a total consideration of approximately $2.8 million.
In September 2019, our Chief Executive Officer and Chairman of our board of directors, Daniel Schreiber, sold 118,466 shares of our common stock to a venture capital fund for a total consideration of approximately $5.0 million.

In October 2019, our President, Chief Operating Officer and director, Shai Wininger, sold 118,466 shares of our common stock to two venture capital funds for a total consideration of approximately $5.0 million.

In February 2020, we issued 500,000 shares of our common stock to the Lemonade Foundation, a 501(c)(4) social welfare organization established under Arizona law, as its initial endowment. Two of our directors serve on the board of directors of the Lemonade Foundation. We plan to pay approximately $0.1 million in legal fees incurred by the Lemonade Foundation as of February 29, 2020 in connection with its establishment, for which the Lemonade Foundation has agreed to reimburse us in full.

Limitation on Liability and Indemnification of Officers and Directors

We intend to enter into indemnification agreements with our directors and executive officers. These agreements will require us to indemnify these individuals to the fullest extent permitted by Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors or executive officers, we have been informed that in the opinion of the SEC such indemnification is against public policy and is therefore unenforceable.

In addition, our Amended Charter and Amended Bylaws, which will each become effective in connection with the completion of this offering, provide that we will indemnify, to the fullest extent permitted by law, any person who is or was a party or is threatened to be made a party to any action, suit, or proceeding by reason of the fact that he or she is or was one of our directors or officers or is or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust, or other enterprise. Our Amended Bylaws provide that we may indemnify to the fullest extent permitted by law any person who is or was a party or is threatened to be made a party to any action, suit, or proceeding by reason of the fact that he or she is or was one of our employees or agents or is or was serving at our request as an employee or agent of another corporation, partnership, joint venture, trust, or other enterprise. Our Amended Bylaws also provide that we must advance expenses incurred by or on behalf of a director or officer in advance of the final disposition of any action or proceeding, subject to limited exceptions.

The limitation of liability and indemnification provisions that are included in our Amended Charter, our Amended Bylaws, and indemnification agreements with our directors and executive officers may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder’s investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and executive officers as required by these indemnification provisions.

At present, we are not aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees, or other agents or is or was serving at our request as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.
We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against losses arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Certain of our non-employee directors may, through their relationships with their employers, be insured and/or indemnified against certain liabilities incurred in their capacity as members of our board of directors.

Policies and Procedures for Related Party Transactions

Prior to the completion of this offering, we expect that our board of directors will adopt a policy providing that the audit committee will review and approve or ratify material transactions, arrangements, or relationships in which we participate and in which any related person has or will have a direct or indirect material interest. A “related person” is a director, director-nominee, executive officer, or beneficial holder of more than 5% of any class of our voting securities, or an immediate family member thereof. A transaction involving an amount in excess of $120,000 of value is presumed to be a material transaction, through transactions involving lower amounts may be material based on the facts and circumstances. Direct or indirect material interests may arise by virtue of control or significant influence of the related person to the transaction or by a direct or indirect pecuniary interest of the related person in the transaction. Under this policy, the audit committee shall review if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party, the extent of the related person’s interest in the transaction, and shall also take into account the conflicts of interest and corporate opportunity provisions of our Code of Business Conduct and Ethics. All of the transactions described above were entered into prior to the adoption of this policy.

Certain of the foregoing disclosures are summaries of certain provisions of our related party agreements, and are qualified in their entirety by reference to all of the provisions of such agreements. Because these descriptions are only summaries of the applicable agreements, they do not necessarily contain all of the information that you may find useful. Copies of certain of the agreements (or forms of the agreements) have been filed as exhibits to the registration statement of which this prospectus is a part, and are available electronically on the website of the SEC at www.sec.gov.
DESCRIPTION OF CAPITAL STOCK

In connection with this offering, we will amend and restate our existing amended and restated certificate of incorporation and our existing bylaws. Unless otherwise stated, the following is a description of the material terms of, and is qualified in its entirety by, our Amended Charter and our Amended Bylaws, each of which will be in effect upon the completion of this offering, the forms of which are filed as exhibits to the registration statement of which this prospectus forms a part. In this "Description of Capital Stock" section, "we," "us," "our," and "our company" refer to Lemonade, Inc. and not to any of its subsidiaries.

Upon the completion of this offering, our authorized capital stock will consist of shares of common stock, par value $0.00001 per share and shares of preferred stock, par value $0.00001 per share, the rights and preferences of which the board of directors may establish from time to time.

Assuming the Preferred Stock Conversion, which will occur in connection with the completion of this offering, as of , 2020, there were shares of our common stock outstanding held by stockholders of record and no shares of our preferred stock outstanding.

Pursuant to our Amended Charter, our board of directors will have the authority, without stockholder approval, except as required by the listing standards of the NYSE, to issue additional shares of our common stock.

Common Stock

Dividend Rights

Holders of shares of our common stock are entitled to receive dividends when, as and if declared by our board of directors out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding stock. Under Delaware law, we can only pay dividends either out of "surplus" or out of the current or the immediately preceding year's net profits. Surplus is defined as the excess, if any, at any given time, of the total assets of a corporation over its total liabilities and statutory capital. The value of a corporation's assets can be measured in a number of ways and may not necessarily equal their book value.

Applicable insurance laws restrict the ability of our insurance subsidiary to declare stockholder dividends and require insurance companies to maintain specified levels of statutory capital and surplus. Insurance regulators have broad powers to prevent reduction of statutory surplus to inadequate levels, and there is no assurance that dividends of the maximum amounts calculated under any applicable formula would be permitted. State insurance regulatory authorities that have jurisdiction over the payment of dividends by our insurance subsidiary may in the future adopt statutory provisions more restrictive than those currently in effect.

See "Dividend Policy" for additional information.

Voting Rights

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. The holders of our common stock vote together as a single class, unless otherwise required by law. The holders of our common stock do not have cumulative voting rights in the election of directors.

Our Amended Bylaws will provide for a classified board of directors consisting of three classes of approximately equal size, each serving staggered three-year terms. If the number of directors is changed, any increase or decrease shall be apportioned among the classes by the board of
directors so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class. In no case will a decrease in the number of directors shorten the term of any incumbent director.

Our Amended Charter further provides that no holder of common stock and/or preferred stock (collectively, the "Capital Stock") shall be permitted to vote more than 9.90% of the then outstanding Capital Stock without first obtaining approval from the NYDFS, as provided in all applicable regulations.

No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights, and is not subject to conversion, redemption, or sinking fund provisions.

Right to Receive Liquidation Distributions

If we become subject to a liquidation, dissolution, or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Fully Paid and Non-Assessable

All shares of our common stock that will be outstanding upon the completion of this offering will be fully paid and non-assessable.

Preferred Stock

No shares of preferred stock will be issued or outstanding immediately after the offering contemplated by this prospectus. Our Amended Charter authorizes our board of directors to establish one or more series of preferred stock. Unless required by law or any stock exchange, the authorized shares of preferred stock will be available for issuance without further action by the holders of our common stock. Our board of directors is able to determine, without stockholder approval and with respect to any series of preferred stock, the powers (including voting powers), preferences and relative, participating, optional, or other special rights, and the qualifications, limitations, or restrictions thereof, including, without limitation:

- The designation of the series;
- the number of shares of the series, which our board of directors may, except where otherwise provided in the preferred stock designation, increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares then outstanding);
- whether dividends, if any, will be cumulative or non-cumulative and the dividend rate of the series;
- the dates at which dividends, if any, will be payable;
- the redemption or repurchase rights and price or prices, if any, for shares of the series;
- the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series;
• the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution, or winding-up of our affairs;

• whether the shares of the series will be convertible into shares of any other class or series, or any other security, of us or any other entity, and, if so, the specification of the other class or series or other security, the conversion price or prices, or rate or rates, any rate adjustments, the date or dates as of which the shares will be convertible and all other terms and conditions upon which the conversion may be made;

• restrictions on the issuance of shares of the same series or of any other class or series; and

• the voting rights, if any, of the holders of the series.

We could issue a series of preferred stock that could, depending on the terms of the series, impede or discourage an acquisition attempt or other transaction that some, or a majority, of the holders of our common stock might believe to be in their best interests or in which the holders of our common stock might receive a premium over the market price of the shares of our common stock. Additionally, the issuance of preferred stock may adversely affect the rights of holders of our common stock by restricting dividends on the common stock, diluting the voting power of the common stock or subordinating the liquidation rights of the common stock. As a result of these or other factors, the issuance of preferred stock could have an adverse impact on the market price of our common stock. We have no current plan for the issuance of any shares of preferred stock.

Options

As of , 2020, we had outstanding options to purchase an aggregate of shares of our common stock, with a weighted-average exercise price of approximately $ per share, under the 2015 Plan.

Registration Rights

After the completion of this offering, certain holders of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act. See “Certain Relationships and Related Party Transactions — Investors' Rights Agreement” for more information.

Anti-Takeover Effects of Provisions of our Amended Charter, our Amended Bylaws and Delaware Law

Our Amended Charter and our Amended Bylaws also contain provisions that may delay, defer or discourage another party from acquiring control of us. We expect that these provisions, which are summarized below, will discourage coercive takeover practices or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. However, they also give our board of directors the power to discourage acquisitions that some stockholders may favor.

Delaware Law

We will be governed by the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a "business
combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- The business combination or transaction which resulted in the stockholder becoming an interested stockholder was approved by the board of directors prior to the time that the stockholder became an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by directors who are also officers of the corporation and shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to the time the stockholder became an interested stockholder, the business combination was approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

In general, Section 203 defines a "business combination" to include mergers, asset sales, and other transactions resulting in financial benefit to a stockholder and an "interested stockholder" as a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation's outstanding voting stock. These provisions may have the effect of delaying, deferring, or preventing changes in control of our company. See "Risk Factors — Risks Relating to Ownership of Our Common Stock — Some provisions of our charter documents and Delaware law may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders, and may prevent attempts by our stockholders to replace or remove our current management."

Amended Charter and Amended Bylaw Provisions

Our Amended Charter and our Amended Bylaws will include a number of provisions that could deter hostile takeovers or delay or prevent changes in control of our board of directors or management team, including the following:

Classified Board of Directors

Our Amended Bylaws will provide that our board of directors will be classified into three classes of directors, each of which will hold office for a three-year term. The existence of a classified board could delay a potential acquirer from obtaining majority control of our board of directors, and the prospect of that delay might deter a potential acquirer. See "Management — Board Composition."

Authorized but Unissued Shares

The authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval, subject to any limitations imposed by the listing standards of the NYSE. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.
Requirements for Advance Notification of Stockholder Meetings, Nominations and Proposals

Our Amended Bylaws provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. Our Amended Bylaws will also specify certain requirements regarding the form and content of a stockholder's notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. We expect that these provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

Stockholder Action by Written Consent; Special Meeting of Stockholders

Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice, and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless the company's certificate of incorporation provides otherwise. Our Amended Charter will provide that our stockholders may not take action by written consent, but may only take action at annual or special meetings of our stockholders. As a result, a holder controlling a majority of our capital stock would not be able to amend our Amended Bylaws or remove directors without holding a meeting of our stockholders called in accordance with our Amended Bylaws. Our Amended Bylaws will further provide that special meetings of our stockholders may be called only by a majority of our board of directors, the chairperson of our board of directors, our Chief Executive Officer, or our President (in the absence of a chief executive officer), thus prohibiting a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take any action, including the removal of directors.

No Cumulative Voting

The DGCL provides that stockholders are not entitled to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our Amended Charter does not provide for cumulative voting.

Amendment of Amended Charter or Amended Bylaws

Our Amended Charter requires the approval of the holders of at least two-thirds in the voting power of the outstanding shares of our capital stock in order to amend certain provisions including those relating to removal of directors, rights and privileges of the common stock, indemnification, exclusive forum, and the prohibition on stockholder action by written consent. Our Amended Bylaws provide that the approval of the holders of at least two-thirds in the voting power of the outstanding shares of our capital stock of the outstanding shares of capital stock entitled to vote thereon is required for stockholders to amend or adopt any provision of our Amended Bylaws.

The foregoing provisions of our Amended Charter and Amended Bylaws could discourage potential acquisition proposals and could delay or prevent a change in control. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by our board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are
intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares of common stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management or delaying or preventing a transaction that might benefit you or other minority stockholders.

**Issuance of Undesignated Preferred Stock**

Our board of directors will have the authority, without further action by our stockholders, to issue up to shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock would enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or other means.

**Exclusive Venue**

Our Amended Charter requires, to the fullest extent permitted by law, that (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders, (iii) any action asserting a claim against us governed by the internal affairs doctrine will have to be brought only in the Court of Chancery in the State of Delaware (or if the Court of Chancery does not have jurisdiction, the federal district court of for the District of Delaware), in all cases subject to the court having jurisdiction over indispensable parties named as defendants. Nothing in our Amended Charter precludes stockholders that assert claims under the Securities Act from bringing such claims in state or federal court, subject to applicable law. Any person or entity purchasing or otherwise acquiring any interest in our securities shall be deemed to have notice of and consented to this provision. Although we believe this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers.

**Limitations on Liability and Indemnification of Officers and Directors**

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties, subject to certain exceptions. Our Amended Charter includes a provision that eliminates the personal liability of directors for monetary damages to the corporation or its stockholders for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. The effect of these provisions is to eliminate the rights of us and our stockholders, through stockholders' derivative suits on our behalf, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior. However, exculpation does not apply to any breaches of the director's duty of loyalty, any acts or omissions not in good faith or that involve intentional misconduct or knowing violation of law, any authorization of dividends or stock redemptions or repurchases paid or made in violation of the DGCL, or for any transaction from which the director derived an improper personal benefit.

Our Amended Bylaws generally provide that we must indemnify and advance expenses to our directors and officers to the fullest extent authorized by the DGCL. We also are expressly authorized to carry directors' and officers' liability insurance providing indemnification for our directors, officers,
and certain employees for some liabilities. We believe that these indemnification and advancement provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability, indemnification, and advancement provisions in our Amended Charter and Amended Bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers, or employees for which indemnification is sought.

**Indemnification Agreements**

We intend to enter into an indemnification agreement with each of our directors and executive officers as described in "Certain Relationships and Related Party Transactions — Related Party Transactions Entered Into in Connection With This Offering — Indemnification Agreements." Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors or executive officers, we have been informed that in the opinion of the SEC such indemnification is against public policy and is therefore unenforceable.

**Corporate Opportunities**

Our Amended Charter provides that, to the fullest extent permitted by law, we have renounced any interest or expectancy in, or in being offered an opportunity to participate in, an Excluded Opportunity. An "Excluded Opportunity" is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, (i) any director who is not an employee of Lemonade or any of its subsidiaries, or (ii) any holder of preferred stock or any partner, member, director, stockholder, employee or agent of any such holder, other than someone who is an employee of Lemonade or any of its subsidiaries (collectively, "Covered Persons"), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person's capacity as a director.

**Dissenters' Rights of Appraisal and Payment**

Under the DGCL, with certain exceptions, our stockholders will have appraisal rights in connection with a merger or consolidation of Lemonade. Pursuant to the DGCL, stockholders who properly request and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Court of Chancery in the State of Delaware.

**Stockholders' Derivative Actions**

Under the DGCL, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of our shares at the time of the transaction to which the action relates or such stockholder's shares thereafter devolved by operation of law and such suit is brought in the Court of Chancery in the State of Delaware. See "— Exclusive Venue" above.
Stock Exchange Listing

We intend to apply to list our common stock on the NYSE under the symbol "LMND."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC. The transfer agent and registrar's address is 6201 15th Avenue, Brooklyn, New York, 11219, and its telephone number is (800) 937-5449.

Public Benefit Corporation Status

We are incorporated in Delaware as a public benefit corporation as a demonstration of our long-term commitment to make insurance a public good. Public benefit corporations are a relatively new class of corporations that are intended to produce a public benefit and to operate in a responsible and sustainable manner. Under Delaware law, public benefit corporations are required to identify in their certificate of incorporation the public benefit or benefits they will promote and their directors have a duty to manage the affairs of the corporation in a manner that balances the pecuniary interests of the stockholders, the best interests of those materially affected by the corporation's conduct, and the specific public benefit or public benefits identified in the public benefit corporation's certificate of incorporation. They are also required to publicly disclose at least biennially a report that assesses their public benefit performance, and may elect in their certificate of incorporation to measure that performance against an objective third-party standard, although our Amended Charter will not contain such requirement and we expect that our board of directors will measure our benefit performance against the objectives and standards it sets. When determining the objectives and standards by which our board of directors will measure our public benefit performance, our board of directors will consider, among other factors, whether the objectives and standards (i) are comprehensive in that they assess the effect of our operations upon our employees, the interests of our customers, each local community and society in which our offices are located, and the local and global environment, (ii) are credible in that they are comparable to the objectives and standards created by independent third parties that evaluate the corporate sustainability practices of other public benefit corporations, and (iii) are transparent in that the criteria considered for measuring such objectives and standards be made publicly available, including disclosing the process by which revisions to the objectives and standards are made and whether such objectives and standards present real or potential conflicts of interests.

We do not believe that an investment in the stock of a public benefit corporation differs materially from an investment in a corporation that is not designated as a public benefit corporation. We believe that our ongoing efforts to achieve our public benefit goals will not materially affect the financial interests of our stockholders. Holders of our common stock will have voting, dividend, and other economic rights that are the same as the rights of stockholders of a corporation that is not designated as a public benefit corporation.

Our public benefit, as provided in our certificate of incorporation, is: to harness novel business models, technologies, and private-nonprofit partnerships to deliver insurance products where charitable giving is a core feature, for the benefit of communities and their common causes.

We must have approval of 2/3 of the outstanding stock of the company entitled to vote to:

• amend our certificate of incorporation to delete or amend the requirements of our public benefit purpose; or
• merge or consolidate with an entity that would result in the company losing its status as a public benefit corporation or with an entity that does not contain identical provisions identifying the public benefits of the company.
Stockholders of the company owning individually or collectively, as of the date of instituting a derivative suit, at least 2% of the company's outstanding shares may maintain a derivative lawsuit to enforce the requirements that the board of directors will manage or direct the business and affairs of the company in a manner that balances the pecuniary interests of the stockholders, the best interests of those materially affected by the company's conduct, and the specific public benefits identified in our certificate of incorporation.
SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there was no public market for our common stock, and there can be no assurance that a significant public market for our common stock will develop or be sustained after this offering. Future sales of substantial amounts of our common stock in the public market (including securities convertible into or redeemable, exchangeable or exercisable for shares of common stock) or the perception that such sales may occur or the availability of such shares for sale in the public market, after this offering could adversely affect the prevailing market price of our common stock. Furthermore, because substantially all of our common stock outstanding prior to the completion of this offering (including securities convertible into or redeemable, exchangeable, or exercisable for shares of our common stock) will be subject to the contractual and legal restrictions on resale described below, the sale of a substantial amount of common stock in the public market after these restrictions lapse could materially adversely affect the prevailing market price of our common stock and our ability to raise equity capital in the future.

Assuming the conversion of all outstanding shares of our convertible redeemable preferred stock into shares of our common stock and the reclassification of such shares in shares of our common stock, which will occur in connection with the completion of this offering, as of \[2020\], we expect to have \[\text{shares}\] of our common stock outstanding, assuming no exercise of outstanding options and assuming that the underwriters have not exercised their option to purchase additional shares of common stock.

All of the shares of common stock sold in this offering will be freely transferable without restriction or further registration under the Securities Act by persons other than "affiliates," as that term is defined in Rule 144 under the Securities Act, except that any shares purchased by our directors, employees and the friends and family members of our directors and such employees will be subject to the lock-up agreements described below.

Generally, the balance of our outstanding shares of common stock will be deemed "restricted securities" within the meaning of Rule 144 under the Securities Act, subject to the limitations and restrictions that are described below. Common stock purchased by our affiliates will be "restricted securities" under Rule 144. Restricted securities may be sold in the public market only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which rules are summarized below.

As a result of the lock-up and market standoff agreements described below and the provisions of our Investors’ Rights Agreement described in the section titled "Description of Capital Stock — Registration Rights," and subject to the provisions of Rule 144 or Rule 701, shares of our common stock will be available for sale in the public market as follows:

- beginning on the date of this prospectus, all shares of our common stock sold in this offering will be immediately available for sale in the public market;
- beginning \[\text{days}\] after the date of this prospectus, additional shares of common stock may become eligible for sale in the public market upon the satisfaction of certain conditions as set forth in the section titled "— Lock-Up Arrangements," of which shares would be held by affiliates and subject to the volume and other restrictions of Rule 144, as described below; and
- beginning \[\text{days}\] after the date of this prospectus (subject to the terms of the lock-up and market standoff agreements described below), all remaining shares will become eligible for sale in the public market, of which \[\text{shares}\] will be held by affiliates and subject to the volume and other restrictions of Rule 144, as described below.
Upon the expiration of the lock-up agreements described below, days after the date of this prospectus, and subject to the provisions of Rule 144, an additional shares of common stock will be available for sale in the public market. The sale of these restricted securities is subject, in the case of shares held by affiliates, to the volume restrictions contained in those rules.

Lock-up Agreements

We and all of our directors and executive officers, and certain holders of our common stock and securities exercisable for or convertible into our common stock outstanding immediately on the closing of this offering, have agreed, or will agree, with the underwriters that, until at least 180 days after the date of this prospectus, subject to certain exceptions as specified in such agreements, we and they will not, without the prior written consent of Goldman Sachs & Co. LLC, directly or indirectly, offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale, or otherwise dispose of or hedge any of our shares of common stock, any options, or any securities convertible into, or exchangeable for or that represent the right to receive shares of our common stock; provided that such restricted period will end with respect to 33% of the shares subject to each lock-up agreement if at any time beginning 90 days after the date of this prospectus (1) we have filed at least one quarterly report on Form 10-Q or annual report on Form 10-K and (2) the last reported closing price of the common stock is at least 33% greater than the initial public offering price set forth on the cover of this prospectus for 10 out of any 15 consecutive trading days, including the last day, ending on or after the 90th day after the date of this prospectus; and provided further that, if 90 days after the date of this prospectus occurs within five trading days of a trading black-out period, the above referenced early expiration period will be delayed until one business day following the end of the blackout period. In addition to the restrictions contained in the lock-up agreements described above, we have entered into agreements with certain security holders, including our investor rights agreement, that contain market stand-off provisions imposing restrictions on the ability of such security holders to offer, sell, or transfer our equity securities for a period of 180 days following the date of this prospectus.

Rule 144

In general, under Rule 144 as in effect on the date of this prospectus, beginning 90 days after the completion of this offering, a person (or persons whose common stock is required to be aggregated) who is an affiliate and who has beneficially owned our common stock for at least six months is entitled to sell in any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after completion of this offering; or

- the average weekly trading volume in our common stock on the NYSE during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such a sale.

Sales by our affiliates under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us. An "affiliate" is a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, an issuer.

Under Rule 144, a person (or persons whose shares are aggregated) who is not deemed to have been an affiliate of ours at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least six months (including the holding period of any prior owner other than an affiliate), would be entitled to sell those shares subject only to availability of current public information about us, and after beneficially owning such shares for at
least 12 months, would be entitled to sell an unlimited number of shares without restriction. To the extent that our affiliates sell their shares of common stock, other than pursuant to Rule 144 or a registration statement, the purchaser's holding period for the purpose of effecting a sale under Rule 144 commences on the date of transfer from the affiliate.

**Rule 701**

In general, under Rule 701 as in effect on the date of this prospectus, any of our employees, directors, officers, consultants, or advisors who purchased shares from us in reliance on Rule 701 in connection with a compensatory stock or option plan or other written agreement before the effective date of this offering, or who purchased shares from us after that date upon the exercise of options granted before that date, are eligible to resell such shares 90 days after the effective date of this offering in reliance upon Rule 144. If such person is not an affiliate, such sale may be made subject only to current public information provisions of Rule 144. If such a person is an affiliate, such sale may be made under Rule 144 without compliance with the holding period requirement, but subject to the other Rule 144 restrictions described above.

**Stock Plans**

We intend to file one or more registration statements on Form S-8 under the Securities Act to register all shares of common stock issued or issuable under our equity incentive plans. Any such Form S-8 registration statements will automatically become effective upon filing. Accordingly, shares registered under such registration statements will be available for sale in the open market following the expiration of the applicable lock-up period. We expect that the initial registration statement on Form S-8 will cover approximately shares of our common stock. Shares issued under our equity incentive plans after the effective date of any applicable Form S-8 registration statement will be eligible for resale in the public market without restriction, subject to Rule 144 limitations applicable to affiliates and the lock-up agreements described above. See "Executive Compensation — Equity Compensation" for a description of our equity compensation plans.

**Registration Rights**

Following this offering, some of our stockholders will, under some circumstances, have the right to require us to register their shares for future sale. See "Certain Relationships and Related Party Transactions — Demand Registration Rights" and "Description of Capital Stock — Registration Rights." If the offer and sale of these shares of our common stock are registered, the shares will be freely tradable without restriction under the Securities Act, subject to the Rule 144 limitations applicable to affiliates, and a large number of shares may be sold into the public market.
MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF OUR COMMON STOCK

The following discussion is a summary of the material U.S. federal income tax consequences to Non-U.S. Holders (as defined below) of the purchase, ownership and disposition of our common stock issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations promulgated under the Code, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (the "IRS"), in each case in effect as of the date of this prospectus. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a Non-U.S. Holder of our common stock. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of our common stock.

This discussion is limited to Non-U.S. Holders that hold our common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a Non-U.S. Holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to Non-U.S. Holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons subject to the alternative minimum tax;
- persons holding our common stock as part of a hedge, straddle, or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- brokers, dealers, or traders in securities;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes and other pass-through entities (and investors in such entities);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- tax-qualified retirement plans;
- "qualified foreign pension funds" as defined in Section 897(l)(2) of the Code and entities all of the interests of which are held by qualified foreign pension funds; and
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the common stock being taken into account in an applicable financial statement.
If an entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership, and certain determinations made at the partner level. Accordingly, partnerships holding our common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL, OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Definition of a Non-U.S. Holder

For purposes of this discussion, a "Non-U.S. Holder" is any beneficial owner of our common stock that is neither a "U.S. person" nor an entity treated as a partnership for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

• an individual who is a citizen or resident of the United States;
• a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
• an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
• a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

Distributions

As described in the section entitled "Dividend Policy," we do not anticipate declaring or paying dividends to holders of our common stock in the foreseeable future. However, if we do make distributions of cash or property on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and first be applied against and reduce a Non-U.S. Holder's adjusted tax basis in its common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below under "— Sale or Other Taxable Disposition."

Subject to the discussion below on effectively connected income, dividends paid to a Non-U.S. Holder of our common stock will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) certifying qualification for the lower treaty rate). A Non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.
If dividends paid to a Non-U.S. Holder are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such dividends are attributable), the Non-U.S. Holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption, the Non-U.S. Holder must furnish to the applicable withholding agent a valid IRS Form W-8ECI, certifying that the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States.

Any such effectively connected dividends will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected dividends, as adjusted for certain items. Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Sale or Other Taxable Disposition

Subject to the discussion below on information reporting, backup withholding and foreign accounts, a Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such gain is attributable);
- the Non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- our common stock constitutes a U.S. real property interest (a "USRPI") by reason of our status as a U.S. real property holding corporation (a "USRPHC") for U.S. federal income tax purposes at any applicable time within the shorter of the five year period preceding the Non-U.S. Holder's disposition of, or the Non-U.S. Holder's holding period for, our common stock.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we currently are not, and do not anticipate becoming, a USRPHC. Because the determination of whether we are a USRPHC depends, however, on the fair market value of our USRPIs relative to the fair market value of our non-U.S. real property interests and our other business assets, there can be no assurance we currently are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition by a Non-U.S. Holder of our common stock will not be subject to U.S. federal income tax if our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, and
such Non-U.S. Holder owned, actually and constructively, 5% or less of our common stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder's holding period.

Non-U.S. Holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

Payments of dividends on our common stock will not be subject to backup withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the holder is a United States person and the holder either certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or other applicable documentation, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on our common stock paid to the Non-U.S. Holder, regardless of whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of our common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting, if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such holder is a United States person, or the holder otherwise establishes an exemption. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such sections commonly referred to as the Foreign Account Tax Compliance Act, or "FATCA") on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or (subject to the proposed Treasury Regulations discussed below) gross proceeds from the sale or other disposition of, our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.
Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on
our common stock. While withholding under FATCA would have applied also to payments of gross proceeds from the sale or other disposition of stock on
or after January 1, 2019, recently proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers
generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our
common stock.
UNDERWRITING

We and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC are the representatives of the underwriters.

<table>
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<tr>
<th>Underwriters</th>
<th>Number of Shares</th>
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<tbody>
<tr>
<td>Goldman Sachs &amp; Co. LLC</td>
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<tr>
<td>Morgan Stanley &amp; Co. LLC</td>
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<tr>
<td>Allen &amp; Company LLC</td>
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<tr>
<td>Barclays Capital Inc.</td>
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<td>JMP Securities LLC</td>
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<td>LionTree Advisors LLC</td>
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<td>Oppenheimer &amp; Co. Inc.</td>
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<td>William Blair &amp; Company, L.L.C.</td>
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<td><strong>Total</strong></td>
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The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

The underwriters have an option to buy up to an additional shares from us to cover sales by the underwriters of a greater number of shares than the total number set forth in the table above. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us. Such amounts are shown assuming both no exercise and full exercise of the underwriters’ option to purchase additional shares of our common stock.

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<th>Paid by us</th>
<th>No Exercise</th>
<th>Full Exercise</th>
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<td>Per share</td>
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Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to per share from the initial public offering price. After the initial offering of the shares, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters’ right to reject any order in whole or in part.

We have agreed that, subject to certain limited exceptions, we will not: (1) offer, pledge, sell, contract to sell, any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, or file with, or submit to, the SEC a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition, submission, or filing, or (2) enter into any swap or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of any shares of common stock or any such other securities (in either case, regardless of whether any of these
transactions are to be settled by the delivery of shares of common stock or such other securities, in cash or otherwise), in each case without the prior written consent of Goldman Sachs & Co. LLC for a period of at least 180 days after the date of this prospectus.

The directors and executive officers of the company and holders of substantially all of its outstanding shares have entered into lock-up agreements with the underwriters prior to the commencement of this offering pursuant to which each of these persons or entities, subject to certain limited exceptions, for a period of at least 180 days after the date of this prospectus, may not, without the prior written consent of Goldman Sachs & Co. LLC: (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock (including, without limitation, common stock or such other securities which may be deemed to be beneficially owned by such directors, executive officers, managers, and members in accordance with the rules and regulations of the Securities and Exchange Commission and securities which may be issued upon exercise of a stock option or warrant); or (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common stock or such other securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common stock or such other securities, in cash or otherwise; or (3) make any demand for or exercise any right with respect to the registration of any shares of our common stock or any security convertible into or exercisable or exchangeable for our common stock; provided that such restricted period will end with respect to 33% of the shares subject to each lock-up agreement if at any time beginning 90 days after the date of this prospectus (1) we have filed at least one quarterly report on Form 10-Q or annual report on Form 10-K and (2) the last reported closing price of the common stock is at least 33% greater than the initial public offering price set forth on the cover of this prospectus for 10 out of any 15 consecutive trading days, including the last day, ending on or after the 90th day after the date of this prospectus; and provided further that, if 90 days after the date of this prospectus occurs within five trading days of a trading black-out period, the above referenced early expiration period will be delayed until one business day following the end of the blackout period.

Prior to the offering, there has been no public market for the shares. The initial public offering price has been negotiated among the representatives and us. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses. Neither we nor the underwriters can assure investors that an active trading market will develop for our common stock or that the shares will trade in the public market at or above the initial public offering price.

We intend to apply to list our common stock on the NYSE under the symbol "LMND."

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions, and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A "covered short position" is a short position that is not greater than the amount of additional shares for which the underwriters' option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to cover the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may
purchase additional shares pursuant to the option described above. "Naked" short sales are any short sales that create a short position greater than the amount of additional shares for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our stock, and together with the imposition of the penalty bid, may stabilize, maintain, or otherwise affect the market price of our common stock. As a result, the price of our common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on the NYSE, in the over-the-counter market, or otherwise.

We estimate that our share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $ . We have agreed to reimburse the underwriters for expenses related to any applicable state securities filings and to the Financial Industry Regulatory Authority incurred by them in connection with this offering in an amount up to $ .

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage, and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to us and to persons and entities with relationships with us, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors, and employees may purchase, sell, or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities, and/or instruments of our company (directly, as collateral securing other obligations or otherwise) or persons and entities with relationships with our company. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color, or trading ideas or publish or express independent research views in respect of such assets, securities, or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities, and instruments.
In relation to each Member State of the EEA and the United Kingdom (each, a "Relevant State") an offer to the public of shares of our common stock may not be made in that Relevant State, except that an offer to the public of shares of our common stock in that Relevant State may be made at any time under the following exemptions under the Prospectus Regulation:

(a) To any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) To fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the representatives for any such offer; or

(c) In any other circumstances falling within Article 1(4) of the Prospectus Regulation;

provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Regulation or a prospectus supplement pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to shares of our common stock in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and shares of our common stock to be offered so as to enable an investor to decide to purchase shares of our common stock, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

In addition, in the United Kingdom, this prospectus is only addressed to and directed at "qualified investors" (within the meaning of Section 86(7) of the Financial Services and Markets Act 2000 who are (i) persons who have professional experience in matter relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order and other persons to whom it may lawfully be communicated, (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this prospectus relates is available only to relevant persons and will only be engaged with relevant persons. Any person who is not a relevant person should not act or rely on this prospectus or any of its contents.

This EEA and UK selling restriction is in addition to any other selling restrictions set out below.

Notice to Prospective Investors in Israel

This document does not constitute a prospectus under the Israel Securities Law, 5728-1968, and has not been filed with or approved by the Israel Securities Authority nor have the securities offered under this document been approved or disapproved by the Israel Securities Authority or registered for sale in Israel. Our common stock will not be offered or sold to the public in Israel, except that the underwriters may offer and sell such shares, and distribute this prospectus to investors listed in the first addendum, or the Addendum, to the Israel Securities Law, consisting primarily of joint investment in trust funds, provident funds, insurance companies, banks, portfolio managers, investment advisors, members of the TASE, underwriters purchasing for their own account, venture capital funds, entities with equity in excess of NIS 50 million, and "qualified individuals," each as defined in the Addendum (as it may be amended from time to time), collectively referred to as qualified investors. Qualified investors are required to complete and sign a questionnaire to confirm that they fall within the scope of the Addendum. Any resale in Israel, directly or indirectly, to the public of the securities offered by this prospectus is subject to restrictions on transferability and must be effected only in compliance with the Israel Securities Law.
Canada

Our common stock may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Hong Kong

The shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) ("Companies (Winding Up and Miscellaneous Provisions) Ordinance") or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("Securities and Futures Ordinance"), (ii) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation, or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined under Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA")) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.
Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for 6 months after that corporation has acquired the shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer in that corporation's securities pursuant to Section 275(1A) of the SFA, (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore ("Regulation 32").

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that trust has acquired the shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other assets), (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32.

Japan

Our common stock has not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. The shares may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.
LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Latham & Watkins LLP, New York, New York. Legal matters in connection with this offering will be passed upon for the underwriters by White & Case LLP, New York, New York. White & Case LLP has from time to time provided legal services to us and they may continue to do so.

EXPERTS

The consolidated financial statements of Lemonade, Inc. and its subsidiaries as of December 31, 2018 and December 31, 2019, and for each of the two years in the period ended December 31, 2019, appearing in this prospectus and registration statement, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.
WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1, including exhibits and schedules, under the Securities Act with respect to the common stock to be sold in this offering. As allowed by SEC rules, this prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules that are part of the registration statement. For further information about us and our common stock offered hereby, you should refer to the registration statement, including all amendments, supplements, schedules, and exhibits thereto.

Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement.

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and will file annual, quarterly, and current reports, proxy statements and other information with the SEC.

You can review the registration statement, as well as our future SEC filings, by accessing the SEC’s website at www.sec.gov. You may also request copies of those documents, at no cost to you, by contacting us at the following address:

Lemonade, Inc.
5 Crosby Street
New York, New York 10013
(844) 733-8666

We intend to furnish our stockholders with annual reports containing financial statements audited by our independent registered public accounting firm.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Contents

<table>
<thead>
<tr>
<th>Lemonade, Inc. and Subsidiaries</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Financial Statements (Audited)</td>
<td></td>
</tr>
<tr>
<td>Years Ended December 31, 2018 and December 31, 2019</td>
<td></td>
</tr>
<tr>
<td>Report of Independent Registered Public Accounting Firm</td>
<td>F-2</td>
</tr>
<tr>
<td>Consolidated Balance Sheets</td>
<td>F-3</td>
</tr>
<tr>
<td>Consolidated Statements of Operations and Comprehensive Loss</td>
<td>F-4</td>
</tr>
<tr>
<td>Consolidated Statements of Changes in Convertible Preferred Stock and Stockholders' Deficit</td>
<td>F-5</td>
</tr>
<tr>
<td>Consolidated Statements of Cash Flows</td>
<td>F-6</td>
</tr>
<tr>
<td>Notes to Consolidated Financial Statements</td>
<td>F-7</td>
</tr>
<tr>
<td>Schedule II — Condensed Financial Information of Registrant — Parent Company only</td>
<td>F-46</td>
</tr>
<tr>
<td>Schedule V — Valuation and Qualifying Accounts</td>
<td>F-50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Condensed Consolidated Financial Statements</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of December 31, 2019 and March 31, 2020 (Unaudited) and for the Three Month Periods Ended March 31, 2019 and 2020 (Unaudited)</td>
<td></td>
</tr>
<tr>
<td>Condensed Consolidated Balance Sheets</td>
<td>F-51</td>
</tr>
<tr>
<td>Condensed Consolidated Statements of Operations and Comprehensive Loss</td>
<td>F-52</td>
</tr>
<tr>
<td>Condensed Consolidated Statements of Changes in Convertible Preferred Stock and Stockholders' Deficit</td>
<td>F-53</td>
</tr>
<tr>
<td>Condensed Consolidated Statements of Cash Flows</td>
<td>F-54</td>
</tr>
<tr>
<td>Notes to Condensed Consolidated Financial Statements (Unaudited)</td>
<td>F-55</td>
</tr>
</tbody>
</table>

Schedules other than those listed above are omitted for the reason that they are not required, are not applicable or that equivalent information has been included in the financial statements or notes thereto or elsewhere herein.

F-1
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Lemonade, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Lemonade, Inc. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive loss, changes in convertible preferred stock and stockholders' deficit and cash flows for the years then ended, and the related notes and schedules (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

/s/ Ernst & Young LLP
We have served as the Company's auditor since 2015.

New York, New York
March 20, 2020

/s/ Ernst & Young LLP
We have served as the Company's auditor since 2015.

New York, New York
March 20, 2020
LEMONADE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

($ in millions, except share and per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed maturities available-for-sale, at fair value (amortized cost: $3.2 million and $5.8 million as of December 31, 2018 and 2019)</td>
<td>$ 3.2</td>
<td>$ 5.9</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>6.0</td>
<td>54.7</td>
</tr>
<tr>
<td>Total investments</td>
<td>9.2</td>
<td>60.6</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash</td>
<td>102.4</td>
<td>270.3</td>
</tr>
<tr>
<td>Premium receivable, net of allowance for doubtful accounts of $0 million and $0.2 million as of December 31, 2018 and 2019</td>
<td>25.9</td>
<td>54.1</td>
</tr>
<tr>
<td>Reinsurance recoverable</td>
<td>11.8</td>
<td>20.3</td>
</tr>
<tr>
<td>Prepaid reinsurance premium</td>
<td>1.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Deferred acquisition costs</td>
<td>0.6</td>
<td>1.8</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>1.0</td>
<td>3.1</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>—</td>
<td>0.6</td>
</tr>
<tr>
<td>Other assets</td>
<td>1.4</td>
<td>2.5</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 153.8</td>
<td>$ 414.3</td>
</tr>
<tr>
<td><strong>Liabilities, Convertible Preferred Stock and Stockholders' Equity (Deficit)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unpaid losses and loss adjustment expenses</td>
<td>$ 13.1</td>
<td>$ 28.2</td>
</tr>
<tr>
<td>Unearned premium</td>
<td>27.7</td>
<td>68.0</td>
</tr>
<tr>
<td>Trade payables</td>
<td>1.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Other liabilities and accrued expenses</td>
<td>9.8</td>
<td>19.7</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>52.1</td>
<td>116.6</td>
</tr>
<tr>
<td><strong>Commitments and contingencies (Note 20)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convertible preferred stock (Series Seed, A, B, C, and D), $0.00001 par value; 24,449,177 shares and 31,557,107 shares authorized; 24,445,555 shares and 31,557,107 shares issued and outstanding as of December 31, 2018 and 2019, respectively; aggregate liquidation preference of $480.8 million as of December 31, 2019</td>
<td>180.8</td>
<td>480.2</td>
</tr>
<tr>
<td><strong>Stockholders' equity (deficit):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock, $0.00001 par value, 42,000,000 shares and 52,000,000 shares authorized as of December 31, 2018 and 2019, respectively; 11,602,708 shares and 11,784,765 shares issued and 10,983,684 shares and 11,271,228 shares outstanding as of December 31, 2018 and 2019, respectively</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>10.7</td>
<td>15.7</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(89.8)</td>
<td>(198.3)</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>—</td>
<td>0.1</td>
</tr>
<tr>
<td>Total stockholders' equity (deficit)</td>
<td>(79.1)</td>
<td>(182.5)</td>
</tr>
<tr>
<td>Total liabilities, convertible preferred stock and stockholders' equity (deficit)</td>
<td>$ 153.8</td>
<td>$ 414.3</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the consolidated financial statements.
# LEMONADE, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

($ in millions, except share and per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
</tr>
<tr>
<td>Net earned premium</td>
<td>$ 21.2</td>
</tr>
<tr>
<td>Net investment income</td>
<td>1.3</td>
</tr>
<tr>
<td>Commission income</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>$ 22.5</td>
</tr>
<tr>
<td><strong>Expense</strong></td>
<td></td>
</tr>
<tr>
<td>Loss and loss adjustment expense, net</td>
<td>15.2</td>
</tr>
<tr>
<td>Other insurance expense</td>
<td>4.2</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>41.9</td>
</tr>
<tr>
<td>Technology development</td>
<td>4.7</td>
</tr>
<tr>
<td>General and administrative</td>
<td>9.1</td>
</tr>
<tr>
<td><strong>Total expense</strong></td>
<td>$ 75.1</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(52.6)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$(52.9)</td>
</tr>
<tr>
<td><strong>Other comprehensive income, net of tax</strong></td>
<td></td>
</tr>
<tr>
<td>Unrealized gain on available-for-sale investments</td>
<td>—</td>
</tr>
<tr>
<td><strong>Comprehensive loss</strong></td>
<td>$(52.9)</td>
</tr>
<tr>
<td><strong>Per share data:</strong></td>
<td></td>
</tr>
<tr>
<td>Net loss per share attributable to common stockholders — basic and diluted</td>
<td>$ (4.84)</td>
</tr>
<tr>
<td>Weighted average common shares outstanding — basic and diluted</td>
<td>10,931,776</td>
</tr>
<tr>
<td>Pro forma net loss per share attributable to common stockholders — basic and diluted (unaudited)</td>
<td>$</td>
</tr>
<tr>
<td>Pro forma weighted average common shares outstanding — basic and diluted (unaudited)</td>
<td>39,206,116</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the consolidated financial statements.
LEMONADE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS’ DEFICIT
($ in millions, except share amounts)

<table>
<thead>
<tr>
<th></th>
<th>Convertible Preferred Stock</th>
<th>Common Stock</th>
<th>Additional Paid-In Capital</th>
<th>Accumulated Deficit</th>
<th>Accumulated Other Comprehensive Income</th>
<th>Total Stockholders’ Equity (Deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares</td>
<td>Amount</td>
<td>Shares</td>
<td>Amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of December 31, 2017</td>
<td>15,671,730 $ 60.4</td>
<td>10,887,059 $ — $ 8.5 $ (36.9)$ — $ (28.4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of Series C Preferred stock, net of issuance costs of $0.2 million</td>
<td>8,700,224 119.8</td>
<td>— — — — — — —</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercise of stock options</td>
<td>— —</td>
<td>34,125 — — — — —</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of partial recourse loan</td>
<td>— —</td>
<td>62,500 — 0.1 — — 0.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercise of Series A Preferred stock warrants</td>
<td>73,601 0.6</td>
<td>— — — — — — —</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>— —</td>
<td>— — 2.1 — — 2.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>— —</td>
<td>— — — — (52.9) — (52.9)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of December 31, 2018</td>
<td>24,445,555 180.8</td>
<td>10,983,684 — 10.7 (89.8) — (79.1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of Series C Preferred stock, net of issuance costs of $0.0 million</td>
<td>3,622 — — — — — —</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of Series D Preferred stock, net of issuance costs of $0.6 million</td>
<td>7,107,930 299.4</td>
<td>— — — — — — —</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of partial recourse loan</td>
<td>— —</td>
<td>105,487 — 0.2 — — 0.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercise of stock options</td>
<td>— —</td>
<td>182,057 — 0.5 — — 0.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>— —</td>
<td>— — 4.3 — — 4.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>— —</td>
<td>— — — — (108.5) — (108.5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>— —</td>
<td>— — — — — 0.1 — 0.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of December 31, 2019</td>
<td>31,557,107 $ 480.2</td>
<td>11,271,228 $ — $ 15.7 $ (198.3)$ 0.1 $ (182.5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the consolidated financial statements.
# LEMONADE, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS
($ in millions)

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

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$(52.9)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash used in operating activities:</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>0.1</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>2.1</td>
</tr>
<tr>
<td>Change in fair value of warrant liability</td>
<td>0.2</td>
</tr>
<tr>
<td>Amortization of discount on bonds</td>
<td>—</td>
</tr>
<tr>
<td>Provision for bad debt</td>
<td>—</td>
</tr>
<tr>
<td><strong>Changes in operating assets and liabilities:</strong></td>
<td></td>
</tr>
<tr>
<td>Premium receivable</td>
<td>(20.0)</td>
</tr>
<tr>
<td>Reinsurance recoverable</td>
<td>(8.9)</td>
</tr>
<tr>
<td>Prepaid reinsurance premium</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Deferred acquisition costs</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Unpaid losses and loss adjustment expenses</td>
<td>11.0</td>
</tr>
<tr>
<td>Unearned premium</td>
<td>21.4</td>
</tr>
<tr>
<td>Trade payables</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>$(40.8)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Proceeds from short-term investments sold or matured</td>
<td>20.9</td>
</tr>
<tr>
<td>Proceeds from bonds sold or matured</td>
<td>—</td>
</tr>
<tr>
<td>Cost of short-term investments acquired</td>
<td>(13.8)</td>
</tr>
<tr>
<td>Cost of bonds acquired</td>
<td>—</td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Purchases of intangible assets</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>6.4</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Issuance of Preferred stock, net</td>
<td>119.8</td>
</tr>
<tr>
<td>Proceeds from stock purchases</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>119.9</td>
</tr>
<tr>
<td><strong>Effect of exchange rate changes on cash, cash equivalents and restricted cash</strong></td>
<td>—</td>
</tr>
<tr>
<td><strong>Net increase in cash, cash equivalents and restricted cash</strong></td>
<td>85.5</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash at beginning of year</td>
<td>16.9</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash at end of year</td>
<td>$102.4</td>
</tr>
<tr>
<td><strong>Supplemental disclosure of cash flow information:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash paid for income taxes</td>
<td>$ 0.2</td>
</tr>
</tbody>
</table>

F-6
1. **Nature of the Business**

Lemonade, Inc. is a public benefit corporation organized under Delaware law on June 17, 2015. It provides certain personnel, facilities and services to each of its subsidiaries (together with Lemonade, Inc., the "Company") all of which are 100% owned, directly or indirectly, by Lemonade, Inc. The Company consists of the following entities which support Lemonade, Inc.'s U.S. and E.U. operations: (1) Lemonade Insurance Company, an insurance corporation organized under New York law; this company issues insurance policies and pays claims; it is licensed and regulated as a stock property and casualty insurance company in New York and in all other states where the Company's insurance products are available; (2) Lemonade Insurance Agency, LLC, a limited liability company organized under New York law; this company is licensed as an insurance agent in New York and in all other states where the Company's insurance products are available and it acts as the distribution and marketing agent for Lemonade Insurance Company and provides certain underwriting and claims services, and receives a fixed percentage of premium for doing so; it also acts as agent for other insurance companies in distributing their insurance, for which it receives various percentages of premium; (3) Lemonade Ltd., a company organized under the laws of Israel; this company provides technology, research and development, management, marketing and other services to the companies in the group, charged on a "cost plus" basis; (4) Lemonade Insurance N.V., a public limited company organized under the laws of the Netherlands; (5) Lemonade Agency B.V., a Netherlands private limited liability company; (6) Lemonade B.V., a Netherlands private limited liability company; and (7) Lemonade Life Insurance Agency, LLC, a limited liability company organized under the laws of Delaware; this company acts as the distribution and marketing agent for the sale and servicing of life insurance products.

2. **Basis of Presentation**

The Company presents its financial statements on a consolidated basis including all of its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated. All foreign currency amounts in the statements of operations and comprehensive loss have been translated using an average rate for the reporting period. All foreign currency balances in the balance sheet have been translated using the spot rate at the end of the year. All figures expressed, except share amounts, are represented in U.S. dollars in millions.

3. **Use of Estimates**

The preparation of the consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. All revisions to accounting estimates are recognized in the period in which the estimates are revised. Significant estimates reflected in the Company's consolidated financial statements include, but are not limited to, reserves for loss and loss adjustment expense, reinsurance recoverable on unpaid losses, the fair values of investments, and the valuation of stock-based compensation.
4. Summary of Significant Accounting Policies

Unaudited pro forma information

In the accompanying consolidated statements of operations and comprehensive loss, the unaudited pro forma basic and diluted net loss per share attributable to common stockholders for the year ended December 31, 2019 has been prepared assuming (i) the automatic conversion of all outstanding shares of redeemable convertible preferred stock into shares of common stock upon an IPO, as if the proposed IPO had occurred on the later of January 1, 2019 or the issuance date of the redeemable convertible preferred stock, and (ii) the settlement of promissory notes for $1.3 million in cash related to the stock purchase agreements entered into with two executives for the purchase of common stock that were contractually required to be settled in connection with the filing of a registration statement under the Securities Act, resulting in 513,537 shares being deemed issued and outstanding (but subject to vesting in accordance with the terms of the stock purchase agreements) (the "Settlement of Executive Promissory Notes") as if the Settlement of the Executive Promissory Notes occurred on January 1, 2019.

Segment information

The Company’s chief operating decision maker is the Chief Executive Officer. The chief operating decision maker manages operations, allocates resources, and evaluates financial performance on a company-wide basis. The Company operates in one reporting segment within the United States and Europe, providing insurance products to customers through various sales channels.

Cash, cash equivalents and restricted cash

The following represents the Company’s cash, cash equivalents and restricted cash as of December 31, 2018 and 2019 ($ in millions).

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 102.2</td>
<td>$ 270.0</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Total cash, cash equivalents and restricted cash</td>
<td>$ 102.4</td>
<td>$ 270.3</td>
</tr>
</tbody>
</table>

Cash consists primarily of cash on hand and bank deposits. Cash equivalents consist primarily of money market accounts with maturities of three months or less at the date of acquisition and are stated at cost, which approximates fair value. The Company’s restricted cash relates to security deposits for office leases in Israel. The carrying value of restricted cash approximates fair value.

Investments

Investments consist of bonds and short-term investments. The Company considers all of its marketable bonds as available-for-sale. Bonds consist of securities with an initial fixed maturity of more than one year. Bonds are principally carried at fair value. Unrealized gains and losses related to bonds are included in accumulated other comprehensive income as a separate component of stockholders’ deficit. The discount or premium on bonds is amortized using the effective yield.
method. Short-term investments, which may include commercial paper, certificates of deposit, and fixed maturity investments with an initial maturity of one year or less, are carried at amortized cost, which approximates fair value.

The fair value of bonds is principally derived from market price data for identical assets from exchange or dealer markets and from market observable inputs such as interest rates and yield curves that are observable at commonly quoted intervals. For certain bonds for which market prices are not readily available, market values are principally estimated using values obtained from independent pricing services, broker quotes and internal estimates.

Realized gains or losses on the sale of investments are determined on the basis of specific identification. In addition, where declines in the fair value of securities below cost or amortized cost were considered to be an other-than-temporary impairment ("OTTI"), a realized loss would be recorded for the difference between cost or amortized cost and estimated fair value of such securities. Estimates of fair value are subjective and actual realizations will be dependent upon future events.

The Company continually monitors the difference between cost and the estimated fair value of its investments, which involves uncertainty as to whether declines in value are temporary in nature. The analysis of any individual security's decline in value is performed in its functional currency.

Each reporting period, all securities are reviewed to determine whether an other-than-temporary decline in value exists and whether losses should be recognized. The Company considers relevant facts and circumstances in evaluating whether a credit or interest rate related impairment of a security is other than temporary. Relevant facts and circumstances considered include:

- the extent and length of time the fair value has been below cost;
- the reasons for the decline in value; the financial position and access to capital of the issuer, including the current and future impact of any specific events; for structured securities, the adequacy of the expected cash flows; and
- for fixed maturities, the Company's intent to sell a security or whether it is more likely than not the Company will be required to sell the security before the recovery of its amortized cost which, in some cases, may extend to maturity.

If management can assert that it does not intend to sell an impaired fixed maturity security and it is not more likely than not that it will have to sell the security before recovery of its amortized cost basis, then any other-than-temporary impairment identified is separated into two components: (i) the amount related to credit losses (recorded in earnings) and (ii) the amount related to all other factors (recorded in other comprehensive income). The credit-related portion of an OTTI is measured by comparing a security's amortized cost to the present value of its current expected cash flows discounted at its effective yield prior to the impairment charge. If management intends to sell an impaired security, or it is more likely than not that it will be required to sell the security before recovery, an impairment charge to earnings is recorded to reduce the amortized cost of that security to fair value.

For debt securities in an unrealized loss position as of the end of each period which meet the criteria for evaluation, the Company develops a best estimate of the present value of expected cash
4. Summary of Significant Accounting Policies (Continued)

flows to determine if it will recover all amounts due according to the contractual terms of the security in effect at the date of acquisition. If the Company determines that it will not recover all amounts due according to the contractual terms of the debt security as of the date of acquisition, the Company records an OTTI loss in earnings equal to the difference between the present value of expected cash flows and the current amortized cost basis of the security.

In developing the expected recovery analysis for debt securities, the Company reviews business prospects, credit ratings and available information from asset managers and rating agencies for individual securities.

If a loss is recognized from a sale subsequent to a balance sheet date pursuant to changes in circumstances, the loss is recognized in the period in which the intent to hold the securities to recovery no longer exists.

Interest income, as well as prepayment fees and the amortization of the related premium or discount, is reported in net investment income. In periods subsequent to the recognition of OTTI loss for bonds, the Company generally accretes into income the discount or amortizes the reduced premium resulting from the reduction in cost basis over the remaining life of the security based on the amount and timing of estimated future cash flows.

**Fair value of financial instruments**

Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between willing, able and knowledgeable market participants at the measurement date. Fair value measurements are not adjusted for transaction costs. In addition, a three-tiered hierarchy for inputs is used in management's determination of fair value of financial instruments that emphasizes the use of observable inputs over the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are market participant assumptions based on market data obtained from sources independent of the Company. Unobservable inputs are the reporting entity's own assumptions about market participant assumptions based on the best information available under the circumstances. In assessing the appropriateness of using observable inputs in making its fair value determinations, the Company considers whether the market for a particular security is "active" or not based on all the relevant facts and circumstances.

To determine the fair value of its investments, the Company utilizes third-party valuation service providers to gather, analyze and interpret market information and derive fair values based upon relevant methodologies and assumptions for individual instruments.

Valuation service providers typically obtain data about market transactions and other key valuation model inputs from multiple sources and, through the use of widely accepted valuation models, provide a single fair value measurement for individual securities for which a fair value has been requested under the terms of service agreements. The inputs used by the valuation service providers include, but are not limited to, market prices from recently completed transactions and transactions of comparable securities, interest rate yield curves, credit spreads, currency rates and other market observable information, as applicable. The valuation models consider, among other things, market observable information as of the measurement date as well as the specific attributes of the security being valued including its term, interest rate, credit rating, industry sector and, when
4. Summary of Significant Accounting Policies (Continued)

Applicable, collateral quality and other issue or issuer specific information. When market transactions or other market observable data is limited, the extent to which judgment is applied in determining fair value is greatly increased.

As a basis for considering such assumptions, a three-tier value hierarchy is used in management's determination of fair value based on the reliability and observability of inputs as follows:

Level 1 — Valuations are based on unadjusted quoted prices in active markets that the Company has the ability to access for identical, unrestricted assets and do not involve any meaningful degree of judgment. An active market is defined as a market where transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis;

Level 2 — Valuations are based on direct and indirect observable inputs other than quoted market prices included in Level 1. Level 2 inputs include quoted prices for similar assets in active markets and inputs other than quoted prices that are observable for the asset, such as the terms of the security and market-based inputs;

Level 3 — Valuations are based on techniques that use significant inputs that are unobservable. The valuation of Level 3 assets and liabilities requires the greatest degree of judgment. These measurements may be made under circumstances in which there is little, if any, market activity for the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment. In making the assessment, the Company considers factors specific to the asset. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The Company's fair value measurements includes investments, preferred stock warrants and stock options.

Concentrations of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. Cash and cash equivalents are held with financial institutions of high quality. Balances may exceed the amount of insurance provided on such balances.

The ceding of insurance does not legally discharge the Company from its primary liability for the full amount of the policy coverage, and therefore the Company will be required to pay the loss and bear collection risk if the reinsurer fails to meet its obligations under the reinsurance agreement. To minimize exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk.
4. Summary of Significant Accounting Policies (Continued)

Premium receivable

Premium receivable is reported net of an allowance for estimated uncollectible premium amounts. Such allowance is based upon an ongoing review of amounts outstanding, length of collection periods, the creditworthiness of the insured and other relevant factors. Amounts deemed to be uncollectible are written off against the allowance. The Company recorded allowances of $0.0 million and $0.2 million as of December 31, 2018 and 2019, respectively.

Reinsurance

Reinsurance is used to mitigate the exposure to losses, manage capacity and protect capital resources. Reinsuring loss exposures does not relieve the Company from its obligations to policyholders. Reinsurance recoverable, including amounts related to incurred but not reported claims (IBNR) and prepaid reinsurance premium, is reported as assets. To minimize exposure to losses related to a reinsurer's inability to pay, the financial condition of such reinsurer is evaluated initially upon placement of the reinsurance and periodically thereafter. In addition to considering the financial condition of a reinsurer, the collectability of the reinsurance recoverable is evaluated based upon a number of other factors. Such factors include the amounts outstanding, length of collection periods, disputes, any collateral or letters of credit held and other relevant factors. To the extent that an allowance for uncollectible reinsurance recoverable is established, amounts deemed to be uncollectible would be written off against the allowance for estimated uncollectible reinsurance recoverable. The Company currently has no allowance for uncollectible reinsurance recoverable.

Ceded premium written is recorded in accordance with the applicable terms of the reinsurance contracts and ceded premium earned is charged against revenue over the period of the reinsurance contracts. Ceded losses incurred reduce net loss and loss adjustment expense (LAE) incurred over the applicable periods of the reinsurance contracts with third-party reinsurers.

Amounts recoverable from reinsurers are estimated in a manner consistent with the liability associated with the reinsured business and consistent with the terms of the underlying contract.

Deferred acquisition costs

Direct acquisition expenses, which primarily consist of premium taxes, related to each policy the Company writes are deferred and amortized to expense in proportion to the premium earned, generally over a period of one year. Deferred acquisition costs are reviewed at least annually to determine their recoverability from future income. If any such costs are determined not to be recoverable they are charged to expense. Anticipated net loss and LAE and estimated remaining costs of servicing contracts are considered when evaluating recoverability of deferred acquisition costs. The amount of deferred acquisition costs amortized to income during 2018 and 2019 was $0.7 million and $2.1 million, respectively, and are included in other insurance expense on the consolidated statements of operations and comprehensive loss.
4. Summary of Significant Accounting Policies (Continued)

Property and equipment, net

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the assets at the following rates:

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Estimated Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computers and electronic equipment</td>
<td>3 years</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>6 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>Shorter of lease term / useful life</td>
</tr>
</tbody>
</table>

Capitalized internal use software

The Company defers certain costs related to the development of internal use software, which are incurred during the application development stage, and amortizes them over the software's estimated useful life. The amounts capitalized include employee's payroll and payroll-related costs directly associated with the development activities. The Company's policy is to amortize capitalized costs using the straight-line method over the estimated useful life, which is currently two years, beginning when the software is substantially complete and ready for its intended use. Costs incurred in the preliminary and post-implementation stages of the Company's products are expensed as incurred.

Intangible assets

Indefinite-lived intangible assets are tested for impairment at least annually, or more frequently if events or changes in circumstances indicate that the assets may be impaired. The annual impairment test for indefinite-lived intangible assets may be completed through a qualitative assessment to determine if the fair value of the indefinite-lived intangible assets is more likely than not greater than the carrying amount. The Company may elect to bypass the qualitative assessment, or if a qualitative assessment indicates it is more likely than not that the estimated carrying value exceeds the fair value, the Company will test for impairment using a quantitative process. If the Company determines that impairment of its intangible assets may exist, the amount of impairment loss is measured as the excess of carrying value over fair value. The estimates in the determination of the fair value of indefinite-lived intangible assets include the anticipated future revenues of the Company and the resulting cash flows. As of December 31, 2019, there were no circumstances that indicate that the carrying amount of intangible assets deemed to have an indefinite useful life may not be recoverable.

Unpaid loss and loss adjustment expense

The reserves for loss and LAE represent management's best estimate of the ultimate cost of all reported and unreported loss incurred through the balance sheet date. Unpaid loss and LAE are based upon the assumption that past developments are an appropriate indicator of future events. The IBNR portion of unpaid loss and LAE is based on past experience and other factors. The methods of making such estimates and for establishing the resulting reserves are periodically reviewed and updated. Any resulting adjustments are reflected in income. Unpaid loss and LAE consists of the estimated ultimate cost of settling claims incurred within the reporting period (net of...
4. Summary of Significant Accounting Policies (Continued)

related reinsurance recoverable), including IBNR claims, plus changes in estimates of prior period losses. The Company reports its unpaid loss and LAE on an undiscounted basis.

The estimation of the liability for unpaid loss and LAE is inherently complex and subjective, especially in view of changes in the legal and economic environment, which impact the development of unpaid loss and LAE, and therefore quantitative techniques frequently have to be supplemented by subjective considerations and managerial judgment. In addition, trends that have affected development of liabilities in the past may not necessarily occur or affect liability development to the same degree in the future. Therefore, there can be no assurance that the ultimate liability will not materially differ from amounts reserved with a resulting material effect on the operating results of the Company.

The unpaid loss and loss adjustment expense estimate is generally calculated by first projecting the ultimate cost of all claims that have been incurred and then subtracting reported losses and loss expenses. Reported losses include cumulative paid losses and loss expenses plus case reserves. Therefore, the IBNR also includes provision for expected development on reported claims.

The Company’s actuarial analysis of the historical data provides the factors the Company uses in its actuarial analysis in estimating its loss and LAE reserves. These factors are measures over time of claims reported, average case incurred amounts, case development, severity and payment patterns. However, these factors cannot be directly used as they do not take into consideration changes in business mix, claims management, regulatory issues, and other subjective factors. The Company uses multiple actuarial methods in determining its estimates of the ultimate unpaid claim liabilities. Each of these methods requires judgment and assumptions. The methods can include, but are not limited to:

- Paid Development Method — uses historical, cumulative paid losses by accident year and develops those actual losses to estimated ultimate losses based upon the assumption that each accident year will develop to estimated ultimate cost in a manner that is analogous to prior years.

- Paid Bornhuetter-Ferguson Method — a combination of the Paid Development Method and the Expected Loss Method, the Paid Bornhuetter-Ferguson Method estimates ultimate losses by adding actual paid losses and projected future unpaid losses. The amounts produced are then added to cumulative paid losses to produce the final estimates of ultimate incurred losses.

- Incurred Development Method — uses historical, cumulative incurred losses by accident year and develops those actual losses to estimated ultimate losses based upon the assumption that each accident year will develop to estimated ultimate cost in a manner that is analogous to prior years.

- Incurred Bornhuetter — Ferguson Method — a combination of the Incurred Development Method and the Expected Loss Method, the Incurred Bornhuetter-Ferguson Method estimates ultimate losses by adding actual incurred losses and projected future unreported losses. The amounts produced are then added to cumulative incurred losses to produce an estimate of ultimate incurred losses.
4. Summary of Significant Accounting Policies (Continued)

• Expected Loss Method — utilizes an expected ultimate loss ratio based on historical experience adjusted for trends multiplied by earned premium to project ultimate losses.

For each method, losses are projected to the ultimate amount to be paid. The Company then analyzes the results and may emphasize or deemphasize some or all of the outcomes to reflect actuarial judgment regarding their reasonableness in relation to supplementary information and operational and industry changes. These outcomes are then aggregated to produce a single selected point estimate that is the basis for the actuary’s point estimate for loss reserves.

Contingent liabilities

The Company accounts for its contingent liabilities in accordance with Accounting Standards Codification (ASC) Topic 450, "Contingencies". A provision is recorded when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. With respect to legal matters, provisions are reviewed and adjusted to reflect the impact of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter.

Preferred stock warrant liability

The Company classified warrants for the purchase of shares of its convertible preferred stock (see Notes 6 and 14) as a liability on its consolidated balance sheets as these warrants were freestanding financial instruments which underlying shares are contingently redeemable (upon a certain liquidation events) and, therefore, may obligate the Company to transfer assets at some point in the future. The warrant liability, which consists of warrants for the purchase of Series A convertible preferred stock, was initially recorded at fair value upon the date of issuance and was subsequently remeasured to fair value at each reporting date. Changes in the fair value of the warrant liability are recognized as a component of general and administrative expenses in the consolidated statements of operations and comprehensive loss. Changes in the fair value of the warrants comprising the preferred stock warrant liability were recognized until each respective warrant was exercised (see Notes 6 and 14).

Comprehensive loss

Comprehensive loss includes net loss as well as other changes in stockholders’ equity (deficit) that result from transactions and economic events other than those with stockholders.

Employee related obligations

During 2018, the Company established a defined contribution savings plan under Section 401(k) of the Internal Revenue Code for employees based in the United States. This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre tax basis. Company contributions to the plan may be made at the discretion of the Company's board of directors. No contributions were made to the plan by the Company for the year ended December 31, 2018. The Company approved a contribution of $0.3 million to match a portion of employee contributions made in the year ended December 31, 2019.
4. Summary of Significant Accounting Policies (Continued)

Revenue

Premium is earned on a pro-rata basis over the term of the related insurance coverage. Unearned premium and prepaid reinsurance premium represent the portion of gross premium written and ceded premium written, respectively, related to the unexpired terms of related policies. Premium ceded to third party reinsurers is reported as a reduction of earned premium.

Investment income is recorded as earned. Investment income consists primarily of interest. Interest income is recognized on an accrual basis. Net investment income represents investment income, net of expenses.

Commission income consists of commissions earned on policies written on behalf of third-party insurance companies where the Company has no exposure to the insured risk. Such commission is recognized on the effective date of the associated policy.

A premium deficiency is recognized if the sum of expected loss and loss adjustment expense, unamortized acquisition costs, and policy maintenance costs exceeds the remaining unearned premium. A premium deficiency would first be recognized by charging any unamortized acquisition costs to expense to the extent required to eliminate the deficiency. If the premium deficiency were greater than unamortized acquisition costs, a liability would be accrued for the excess deficiency. The Company does not consider anticipated investment income when determining if a premium deficiency exists. There was no premium deficiency as of December 31, 2018 or 2019.

Other insurance expense

Other insurance expense consists of the amortization of deferred acquisition costs and merchant processing fees. Other insurance expense also includes employee compensation, including stock-based compensation and benefits, of the Company’s underwriting teams, as well as allocated occupancy costs and related overhead based on headcount.

Sales and marketing

Sales and marketing includes third-party marketing, advertising, branding, public relations and sales expenses. Sales and marketing also includes associated employee compensation, including stock-based compensation and benefits, as well as allocated occupancy costs and related overhead based on headcount. Sales and marketing costs are expensed as incurred. Advertising expenses totaled $36.2 million and $76.0 million for the years ended December 31, 2018 and 2019, respectively.

Technology development

Technology development consists of employee compensation, including stock-based compensation and benefits, and expenses related to vendors engaged in product management, design, development and testing of the Company’s websites and products. Technology development also includes allocated occupancy costs and related overhead based on headcount. Technology development costs are expensed as incurred, except for costs that are capitalized related to internal-use software development projects which are subsequently depreciated over the expected useful life of the developed software.
4. Summary of Significant Accounting Policies (Continued)

**General and administrative**

General and administrative includes employee compensation, including stock-based compensation and benefits for executive, finance, accounting, legal, business operations and other administrative personnel. In addition, general and administrative includes outside legal, tax and accounting services, insurance, and allocated occupancy costs and related overhead based on headcount.

**Accounting for stock-based compensation**

The Company accounts for stock-based compensation in accordance with ASC Topic 718, "Compensation — Stock Compensation." Stock options are mainly awarded to employees and members of the Company's board of directors and measured at fair value at each grant date. The Company calculates the fair value of share options on the date of grant using the Black-Scholes option-pricing model and the expense is recognized over the requisite service period for awards expected to vest using the straight-line method. The requisite service period for share options is generally four years. The Company recognizes forfeitures as they occur.

The Black-Scholes option-pricing model requires the Company to make a number of assumptions, including the value of the Company's common stock, expected volatility, expected term, risk-free interest rate and expected dividends. The Company evaluates the assumptions used to value option awards upon each grant of stock options. Expected volatility was calculated based on the implied volatilities from market comparisons of certain publicly traded companies and other factors. The expected option term was calculated based on the simplified method, which uses the midpoint between the vesting date and the contractual term, as the Company does not have sufficient historical data to develop an estimate based on participant behavior. The risk-free interest rate was based on the U.S. treasury bond yield with an equivalent term. The Company has not paid dividends and has no foreseeable plans to pay dividends.

The fair value of common stock underlying the options has historically been determined by the Company's board of directors, with input from management, and considering third-party valuations of the Company's common stock. Because there has been no public market for the Company's common stock, the board of directors has determined its fair value at the time of grant of the option by considering a number of objective and subjective factors, including financing investment rounds, operating and financial performance, the lack of liquidity of share capital and general and industry specific economic outlook, among other factors. The fair value of the underlying common stock will be determined by the board of directors until such time as the Company's common stock is listed on an established stock exchange. The Company's board of directors determined the fair value of common stock based on valuations performed using the Option Pricing Method ("OPM") and the Probability Weighted Expected Return Method ("PWERM") subject to relevant facts and circumstances for the years ended December 31, 2018 and 2019.

**Income taxes**

The Company accounts for income taxes in accordance with the liability method whereby deferred tax assets and liability account balances are determined based on the differences between financial reporting and the tax basis for assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company
4. Summary of Significant Accounting Policies (Continued)

provides a valuation allowance, if necessary, to reduce deferred tax assets to the amounts that are more-likely-than-not to be realized. As of December 31, 2018 and 2019, sufficient doubt existed over the Company's ability to generate sufficient taxable income to realize its deferred income tax assets, and accordingly, the Company has provided a full valuation allowance against its deferred tax assets.

ASC 740, “Income Taxes” (“ASC 740”) clarifies the accounting for uncertainties in income taxes by establishing minimum standards for the recognition and measurement of tax positions taken or expected to be taken in a tax return. Under the requirements of ASC 740, the Company reviews all of its tax positions and makes a determination as to whether its position is more-likely-than-not to be sustained upon examination by regulatory authorities. If a tax position meets the more-likely-than-not standard, then the related tax benefit is measured based on a cumulative probability analysis of the amount that is more-likely-than-not to be realized upon ultimate settlement or disposition of the underlying issue. The Company did not have any uncertain tax positions during the years ended December 31, 2018 and 2019.

The Company classifies all interest and penalties related to uncertain tax positions as income tax expense. The Company did not incur any interest and penalties related to uncertain tax positions during the years ended December 31, 2018 and 2019. As of December 31, 2018 and 2019, the Company did not record any liabilities for tax-related interest and penalties on its consolidated balance sheets.

Net loss per share

The Company follows the two-class method when computing net loss per share as the Company has issued shares that meet the definition of participating securities. The two-class method determines net loss per share for each class of common and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed.

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net loss per share attributable to common stockholders is computed by adjusting net loss attributable to common stockholders to reallocate undistributed earnings based on the potential impact of dilutive securities. Diluted net loss per share attributable to common stockholders is computed by dividing the diluted net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period, including potential dilutive common shares. For purpose of this calculation, outstanding stock options, convertible preferred stock and warrants to purchase shares of convertible preferred stock are considered potential dilutive common shares.

The Company's convertible preferred stock contractually entitles the holders of such shares to participate in dividends but does not contractually require the holders of such shares to participate in losses of the Company. Accordingly, in periods in which the Company reports a net loss attributable to common stockholders, such losses are not allocated to such participating securities.
4. Summary of Significant Accounting Policies (Continued)

In periods in which the Company reports a net loss attributable to common stockholders, diluted net loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders, since dilutive common shares are not assumed to have been issued if their effect is anti-dilutive. The Company reported a net loss attributable to common stockholders for the years ended December 31, 2018 and 2019.

Recent accounting pronouncements

The Company currently qualifies as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Accordingly, the Company is provided the option to adopt new or revised accounting guidance either (i) within the same periods as those otherwise applicable to non-emerging growth companies or (ii) within the same time periods as private companies.

The Company has elected to adopt new or revised accounting guidance within the same time period as private companies, unless, as indicated below, management determines it is preferable to take advantage of early adoption provisions offered within the applicable guidance.

Recently adopted accounting pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 ("ASU 2014-09") "Revenue from Contracts with Customers." ASU 2014-09 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)" and requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard established the core principle of recognizing revenue to depict the transfer of promised goods and services and defines a five-step process, culminating with the recognition of revenue upon satisfaction of an entity's performance obligations. Although the standard and all related amendments supersede nearly all existing revenue recognition guidance under GAAP, the guidance does not amend the accounting for insurance contracts recognized in accordance with ASC Topic 944, Financial Services — Insurance ("ASC 944"). The Company adopted the standard and all related amendments using the modified retrospective method, effective January 1, 2019. The Company's primary sources of revenue are recognized in accordance with ASC 944 as such, revenue within the scope of the new standard primarily includes commission revenue. There was no material changes in the timing or measurement of revenues based upon the guidance. As a result, there was no cumulative effect on retained earnings.

In January 2016, the FASB issued Financial Instruments — Overall, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). ASU 2016-01 affected the recognition, measurement, presentation, and disclosure of financial instruments. The guidance required equity investments to be measured at fair value with changes in fair value recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee) and an assessment of a valuation allowance on deferred tax assets related to unrealized losses of available-for-sale debt securities in combination with other deferred tax assets. The Company adopted the standard and all related amendments
4. Summary of Significant Accounting Policies (Continued)

prospectively, effective January 1, 2019. The adoption of ASU 2016-01 did not have a material impact on the financial condition and results of operations of the Company.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" ("ASU 2016-18"), which requires restricted cash to be presented with cash and cash equivalents on the consolidated statements of cash flows and disclosure of how the consolidated statements of cash flows reconciles to the balance sheet if restricted cash is shown separately from cash and cash equivalents on the balance sheet. The Company adopted ASU 2016-18 as of January 1, 2019. Restricted cash is now included as a component of cash, cash equivalents and restricted cash on the Company's consolidated statements of cash flows. Upon the adoption of ASU 2016-18, the amount of cash and cash equivalents previously presented on the consolidated statements of cash flows reflects the inclusion of restricted cash in the amount reported for changes in cash, cash equivalents and restricted cash. Additionally, as a result of the adoption, transfers between restricted and unrestricted cash are no longer presented as a component of the Company's investing activities.

In June 2018, the FASB issued ASU 2018-07 "Compensation — Stock Compensation (Topic 718); Improvements to Nonemployee Share-Based Payment Accounting". ASU 2018-07 simplifies the accounting for share-based payments made to nonemployees so the accounting for such payments is substantially the same as those made to employees. Under this ASU, share-based awards to nonemployees will be measured at fair value on the grant date of the awards, entities will need to assess the probability of satisfying performance conditions if any are present, and awards will continue to be classified according to ASC 718 upon vesting, which eliminates the need to reassess classification upon vesting, consistent with awards granted to employees. The Company adopted ASU 2018-07 on January 1, 2019, which had no impact on the consolidated financial statements as all share-based awards granted to nonemployees prior to adoption were fully vested.

Recently issued accounting pronouncements

In February 2016, the FASB issued Leases (Topic 842) ("ASU 2016-02"), whereby lessee's will be required to recognize for all leases at the commencement date a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. A modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements must be applied. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. In November 2019, the FASB issued Accounting Standards Update 2019-10-Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates. The ASU provides a framework to stagger effective dates for future major accounting standards and amends the effective dates for certain major new accounting standards to give implementation relief to certain types of entities. Specifically, ASU 2019-10 changes some effective dates for ASU 2016-02 on leasing. After applying this Update, ASU 2016-02 is effective for annual periods beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The adoption of the new
4. Summary of Significant Accounting Policies (Continued)

standard is expected to result in the recognition of additional lease liabilities and right-of-use assets as of January 1, 2022. The Company is evaluating the potential impact of this pronouncement.

In June 2016, the FASB issued Financial Instruments — Credit Losses, Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 will change the way entities recognize impairment of financial assets by requiring immediate recognition of estimated credit losses expected to occur over the remaining life of many financial assets, including, among others, held-to-maturity debt securities, premium receivables, and reinsurance recoverable. The valuation allowance is a measurement of expected losses that is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This methodology is referred to as the current expected credit loss model. ASU 2016-13 requires a valuation allowance to be calculated on these financial assets, as well as available for sale securities, and that they be presented on the financial statements net of the valuation allowance. In November 2019, the FASB issued Accounting Standards Update 2019-10-Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates. The ASU provides a framework to stagger effective dates for future major accounting standards and amends the effective dates for certain major new accounting standards to give implementation relief to certain types of entities. Specifically, ASU 2019-10 changes some effective dates for ASU 2016-13 on current expected credit losses. After applying this Update, ASU 2016-13 is effective for annual periods beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact of ASU 2016-13 on its financial condition and results of operations, with a primary focus on its reinsurance recoverable.

5. Investments

The following tables present cost or amortized cost and fair values of investments at December 31, 2018 and 2019, respectively ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>Cost or Amortized Cost</th>
<th>Gross Unrealized Gains</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>December 31, 2018</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government obligations</td>
<td>$3.2</td>
<td>$—</td>
<td>$3.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3.2</td>
<td>$—</td>
<td>$3.2</td>
</tr>
<tr>
<td><strong>December 31, 2019</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government obligations</td>
<td>$5.8</td>
<td>$0.1</td>
<td>$5.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$5.8</td>
<td>$0.1</td>
<td>$5.9</td>
</tr>
</tbody>
</table>

Gross unrealized losses were less than $0.1 million for U.S. Government obligations as of December 31, 2018 and 2019. Gross unrealized gains and losses are recorded as a component of accumulated other comprehensive income.
5. Investments (Continued)

**Contractual maturities of bonds**

The following table presents the cost or amortized cost and estimated fair value of bonds as of December 31, 2019 by contractual maturity ($ in millions). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<table>
<thead>
<tr>
<th>Due in one year or less</th>
<th>Cost or Amortized Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due after one year through five years</td>
<td>$ 3.5</td>
<td>$ 3.6</td>
</tr>
<tr>
<td>Due after five years through ten years</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Due after ten years</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 5.8</strong></td>
<td><strong>$ 5.9</strong></td>
</tr>
</tbody>
</table>

**Aging of gross unrealized losses**

The following tables present the gross unrealized losses and related fair values for the Company's available-for-sale bond securities, grouped by duration of time in a continuous unrealized loss position, as of December 31, 2018 and 2019 ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>Less than 12 Months</th>
<th>12 Months or More</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair Value</td>
<td>Gross Unrealized Losses</td>
<td>Fair Value</td>
</tr>
<tr>
<td><strong>December 31, 2018</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government obligations</td>
<td>$ 3.2</td>
<td>$ 3.2</td>
<td>$ 3.2</td>
</tr>
<tr>
<td>Total</td>
<td>$ 3.2</td>
<td>$ 3.2</td>
<td>$ 3.2</td>
</tr>
<tr>
<td><strong>December 31, 2019</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government obligations</td>
<td>$ 2.2</td>
<td>$ 2.2</td>
<td>$ 2.4</td>
</tr>
<tr>
<td>Total</td>
<td>$ 2.2</td>
<td>$ 2.2</td>
<td>$ 2.4</td>
</tr>
</tbody>
</table>

Gross unrealized losses for U.S. Government obligations was less than $0.1 million for twelve months or more as of December 31, 2018 and 2019, respectively.

The gross unrealized investment losses as of December 31, 2018 and 2019, respectively, were deemed to be temporary, based on, among other things:

- the duration of time and the relative magnitude to which fair values of these investments have been below their amortized cost was not indicative of an OTTI loss;
5. Investments (Continued)

- the absence of compelling evidence that would cause the Company to call into question the financial condition or near-term prospects of the issuer of the investment; and

- the Company’s ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

The Company may ultimately record a realized loss after having originally concluded that the decline in value was temporary. Risks and uncertainties are inherent in the methodology the Company uses to assess other-than-temporary declines in value. Risks and uncertainties could include, but are not limited to, incorrect assumptions about financial condition, liquidity or future prospects, inadequacy of any underlying collateral, and unfavorable changes in economic conditions or social trends, interest rates or credit ratings.

As of December 31, 2018, the Company held a total of seven debt securities, six of which were in an unrealized loss position, continuously for 12 months or more. As of December 31, 2019, the Company held a total of nine debt securities, four of which were in an unrealized loss position continuously for 12 months or more.

Special deposits

Bonds with a total carrying value of $2.8 million and $5.6 million at December 31, 2018 and 2019, respectively, which are included in fixed maturities available-for-sale on the balance sheets were deposited with various state insurance departments, as required, to comply with state insurance laws. The carrying value of bonds deposited with each respective state is as follows ($ in millions):

<table>
<thead>
<tr>
<th>U.S. State</th>
<th>December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>New York</td>
<td>$1.6</td>
<td>$2.1</td>
</tr>
<tr>
<td>Washington</td>
<td>—</td>
<td>1.1</td>
</tr>
<tr>
<td>Colorado</td>
<td>—</td>
<td>1.1</td>
</tr>
<tr>
<td>North Carolina</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>New Mexico</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Virginia</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Nevada</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Arkansas</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>—</td>
<td>0.1</td>
</tr>
<tr>
<td>Total</td>
<td>$2.8</td>
<td>$5.6</td>
</tr>
</tbody>
</table>

F-23
5. Investments (Continued)

**Net investment income**

An analysis of net investment income follows ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on cash and cash equivalents</td>
<td>$1.0</td>
<td>$2.8</td>
</tr>
<tr>
<td>Bonds</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>0.2</td>
<td>0.5</td>
</tr>
<tr>
<td>Net investment income</td>
<td>$1.3</td>
<td>$3.4</td>
</tr>
</tbody>
</table>

**Investment gains and losses**

The Company had no pre-tax net realized capital gains or losses for 2018 or 2019.

6. Fair Value Measurements

The following tables present the Company's fair value hierarchy for financial assets and liabilities measured as of December 31, 2018 and 2019 ($ in millions):

**Fair Value Measurements as of December 31, 2018**

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Government obligations</td>
<td>$ —</td>
<td>$3.2</td>
<td>$ —</td>
<td>$3.2</td>
</tr>
<tr>
<td>Total</td>
<td>$ —</td>
<td>$3.2</td>
<td>$ —</td>
<td>$3.2</td>
</tr>
</tbody>
</table>

**Fair Value Measurements as of December 31, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Government obligations</td>
<td>$ —</td>
<td>$5.9</td>
<td>$ —</td>
<td>$5.9</td>
</tr>
<tr>
<td>Total</td>
<td>$ —</td>
<td>$5.9</td>
<td>$ —</td>
<td>$5.9</td>
</tr>
</tbody>
</table>

There were no transfers between Level 1, Level 2, or Level 3 during the years ended December 31, 2018 and 2019.

**Valuation of preferred stock warrant liability**

The preferred stock warrant liability in the table below consists of the fair value of warrants to purchase shares of Series A convertible preferred stock that were issued in connection with a consulting services agreement in 2016 (see Note 14). The liability associated with the warrants was recorded at fair value on the dates the warrants were issued and exercisable and was subsequently remeasured to fair value at each reporting date until the warrants were exercised. The aggregate

F-24
6. Fair Value Measurements (Continued)

The fair value of the warrant liability was determined based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy.

The Company used the Black-Scholes option pricing model, which incorporate assumptions and estimates, to value the preferred stock warrants. Estimates and assumptions impacting the fair value measurement include the fair value per share of the underlying shares of the Company's Series A convertible preferred stock, risk-free interest rate, expected dividend yield, expected volatility of the price of the underlying preferred stock, and a probability weighted expected term of the warrants. The most significant assumption impacting the fair value of the preferred stock warrants is the fair value of the Company's Series A convertible preferred stock as of each remeasurement date. The Company determined the fair value per share of the underlying preferred stock by taking into consideration the most recent sales of its convertible preferred stock, results obtained from third-party valuations and additional factors that were deemed relevant. As of December 31, 2017 and June 4, 2018 (the date on which the warrants were fully exercised), the fair value of the Series A convertible preferred stock was $5.17 per share and $8.44 per share, respectively. The Company historically has been a private company and lacks company-specific historical and implied volatility information of its stock. Therefore, it estimates its expected stock volatility based on the historical volatility of publicly traded peer companies for a term equal to the estimated remaining term of the warrants. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve for time periods approximately equal to the estimated remaining term of the warrants. The Company estimated a 0% expected dividend yield based on the fact that the Company has never paid or declared dividends and does not intend to do so in the foreseeable future.

<table>
<thead>
<tr>
<th>Preferred Stock Warrant Liability</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as of December 31, 2017</strong></td>
<td>$0.4</td>
</tr>
<tr>
<td>Change in fair value</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Exercise of preferred stock warrants</strong></td>
<td>(0.6)</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2018</strong></td>
<td>$—</td>
</tr>
</tbody>
</table>

7. Reinsurance

Overview

In the ordinary course of business, the Company cedes losses and LAE to other reinsurance companies. These arrangements reduce the net loss potential arising from large or catastrophic risks. Certain of these arrangements consist of excess of loss and catastrophe contracts, which protect against losses exceeding stipulated amounts. The ceding of risk through reinsurance does not relieve the Company from its obligations to policyholders. The Company remains liable with respect to losses and LAE ceded in the event that any reinsurer does not meet obligations assumed under the reinsurance agreements.

The Company does not have any significant unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses, and unearned premium with any individual reinsurer.
7. Reinsurance (Continued)

Reinsurance recoverable

Amounts recoverable from reinsurers are recognized in a manner consistent with the claims liabilities associated with the reinsurance placement and presented on the balance sheet as reinsurance recoverable. Such balance as of December 31, 2018 and 2019 are presented in the table below ($ in millions).

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Reinsurance recoverable on paid losses</td>
<td>$ 0.5</td>
</tr>
<tr>
<td>Ceded unpaid loss and LAE</td>
<td>11.3</td>
</tr>
<tr>
<td>Total reinsurance recoverable</td>
<td>$ 11.8</td>
</tr>
</tbody>
</table>

To reduce credit exposure to reinsurance recoverable balances, the Company obtains letters of credit from certain reinsurers that are not authorized as reinsurers under U.S. state insurance regulations. In addition, under the terms of its reinsurance contracts, the Company may retain funds due to reinsurers as security for those recoverable balances. The Company has the following unsecured reinsurance recoverable balances from reinsurers at December 31, 2018 and 2019 with all but one having an A.M. Best rating of A (Excellent) or better ($ in millions):

<table>
<thead>
<tr>
<th>AM Best Rating</th>
<th>Reinsurer</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>A+</td>
<td>Hannover Rueck SE</td>
<td>$ 1.5</td>
</tr>
<tr>
<td>A+</td>
<td>Munich Reinsurance America Inc</td>
<td>1.1</td>
</tr>
<tr>
<td>A</td>
<td>Lloyd's Underwriter Syndicate no. 0033 HIS</td>
<td>1.1</td>
</tr>
<tr>
<td>A</td>
<td>Lloyd's Underwriter Syndicate no. 2357 NCL</td>
<td>1.1</td>
</tr>
<tr>
<td>A</td>
<td>Hiscox Insurance Company (Bermuda) Ltd</td>
<td>1.0</td>
</tr>
<tr>
<td>NR</td>
<td>Lloyd's Underwriter Syndicate no. 2001 AML</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>6.7</td>
</tr>
<tr>
<td></td>
<td>Other reinsurers</td>
<td>2.7</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$ 9.4</td>
</tr>
</tbody>
</table>

F-26
7. Reinsurance (Continued)

**Premium written, earned and losses and LAE incurred**

The impact of reinsurance treaties on the Company's consolidated financial statements is as follows ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td><strong>Premium written:</strong></td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>$ 46.8</td>
</tr>
<tr>
<td>Ceded</td>
<td>(5.6)</td>
</tr>
<tr>
<td>Net premium written</td>
<td>$ 41.2</td>
</tr>
<tr>
<td><strong>Premium earned:</strong></td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>$ 25.3</td>
</tr>
<tr>
<td>Ceded</td>
<td>(4.1)</td>
</tr>
<tr>
<td>Net premium earned</td>
<td>$ 21.2</td>
</tr>
<tr>
<td><strong>Losses and LAE incurred:</strong></td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>$ 28.6</td>
</tr>
<tr>
<td>Ceded</td>
<td>(13.4)</td>
</tr>
<tr>
<td>Net losses and LAE incurred</td>
<td>$ 15.2</td>
</tr>
</tbody>
</table>

8. Deferred Acquisition Costs

Deferred acquisition costs consist primarily of commission costs and premium taxes incurred on the successful acquisition of business written on a direct basis. The amortization of deferred acquisition costs is included in other insurance expense on the consolidated statements of

F-27
8. Deferred Acquisition Costs (Continued)

operations and comprehensive loss. The following tables present the policy acquisition costs deferred and amortized ($ in millions):

<table>
<thead>
<tr>
<th>Deferred Acquisition Costs</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$ 0.1</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
</tr>
<tr>
<td>Premium taxes</td>
<td>1.2</td>
</tr>
<tr>
<td>Direct commissions</td>
<td>—</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>Amortization of net deferred acquisition costs</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$ 0.6</td>
</tr>
</tbody>
</table>

Other Insurance Expense

<table>
<thead>
<tr>
<th>Other Insurance Expense</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Amortization of net deferred acquisition costs</td>
<td>$ 0.7</td>
</tr>
<tr>
<td>Period costs</td>
<td>3.5</td>
</tr>
<tr>
<td>Total other insurance expense</td>
<td>$ 4.2</td>
</tr>
</tbody>
</table>

9. Property and Equipment, net

Property and equipment, net consists of the following ($ in millions):

<table>
<thead>
<tr>
<th>Property and equipment, net</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Computer equipment and software</td>
<td>$ 0.6</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>0.3</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>0.2</td>
</tr>
<tr>
<td>Accrued depreciation</td>
<td>1.1</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>(0.1)</td>
</tr>
<tr>
<td></td>
<td>$ 1.0</td>
</tr>
</tbody>
</table>

Depreciation expense for the years ended December 31, 2018 and 2019 was $0.1 million and $0.6 million, respectively and included in general and administrative expenses on the consolidated statements of operations and comprehensive loss.

The Company capitalized costs related to the development of internal-use software of $0.3 million and $1.1 million for the years ended December 31, 2018 and 2019, respectively. Capitalized amounts are included as a component of property and equipment under computer equipment and software.

10. Intangible Assets

In September, 2019 the Company acquired a trademark associated with the Company's name. The indefinite-lived intangible asset has a carrying value of $0.6 million as of December 31, 2019. The Company intends to maintain the trademark and renewal will take place as needed.
11. Other Assets

Other assets consists of the following ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid expenses</td>
<td>$ 0.7</td>
<td>$ 0.9</td>
</tr>
<tr>
<td>Security deposits</td>
<td>0.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Investment income due and accrued</td>
<td>0.2</td>
<td>0.4</td>
</tr>
<tr>
<td>Funds on deposit with claims administrator</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Indirect taxes receivable</td>
<td>—</td>
<td>0.2</td>
</tr>
<tr>
<td>Prepaid income taxes</td>
<td>—</td>
<td>0.1</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total other assets</strong></td>
<td><strong>$ 1.4</strong></td>
<td><strong>$ 2.5</strong></td>
</tr>
</tbody>
</table>

12. Unpaid Loss and Loss Adjustment Expense ("LAE")

The following table presents the activity in the liability for unpaid loss and LAE in 2018 and 2019 ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unpaid loss and LAE as of January 1</td>
<td>$ 2.1</td>
<td>$ 13.1</td>
</tr>
<tr>
<td>Less: Reinsurance recoverable</td>
<td>2.0</td>
<td>11.3</td>
</tr>
<tr>
<td>Net unpaid loss and LAE as of January 1</td>
<td>0.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Add: Incurred losses and LAE, net of reinsurance, related to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year</td>
<td>15.2</td>
<td>47.3</td>
</tr>
<tr>
<td>Prior years</td>
<td>—</td>
<td>(1.5)</td>
</tr>
<tr>
<td><strong>Total incurred</strong></td>
<td>15.2</td>
<td>45.8</td>
</tr>
<tr>
<td>Deduct: Paid losses and LAE, net of reinsurance, related to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year</td>
<td>13.4</td>
<td>37.7</td>
</tr>
<tr>
<td>Prior years</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total paid</strong></td>
<td>13.5</td>
<td>37.9</td>
</tr>
<tr>
<td>Unpaid loss and LAE, net of reinsurance recoverable, as of December 31</td>
<td>1.8</td>
<td>9.7</td>
</tr>
<tr>
<td><strong>Reinsurance recoverable as of December 31</strong>(1)</td>
<td><strong>11.3</strong></td>
<td><strong>18.5</strong></td>
</tr>
<tr>
<td>Unpaid loss and LAE, gross of reinsurance recoverable, as of December 31</td>
<td><strong>$ 13.1</strong></td>
<td><strong>$ 28.2</strong></td>
</tr>
</tbody>
</table>

(1) Reinsurance recoverable in this table includes only ceded unpaid loss and LAE.

Unpaid loss and LAE includes anticipated salvage and subrogation recoverable.

The foregoing reconciliation shows insignificant development of unpaid loss and LAE reserves for the prior year losses incurred in the year ended December 31, 2018 and $1.5 million of favorable development for the prior year losses incurred in the year ended December 31, 2019. No additional premium or returned premium have been accrued as a result of prior year effects.
The Company compiles and aggregates its claims data by grouping the claims according to the year in which the claim occurred (Accident Year) when analyzing claim payment and emergence patterns and trends over time. For the purpose of defining claims frequency, the number of reported claims is by loss occurrence and includes claims that do not result in a liability or payment associated with them.

The following is information about incurred and paid loss development as of December 31, 2019, net of reinsurance, as well as cumulative claim frequency and the total of IBNR liabilities included within the net incurred loss amounts. The information about incurred and paid claims development for the years ended prior to December 31, 2019, is presented as unaudited supplementary information.

Incurred loss and allocated loss adjustment expense ("ALAE"), net of reinsurance

The following table presents incurred loss and ALAE, net of reinsurance, as well as IBNR loss reserves and the number of reported claims ($ in millions, except for number of claims):

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>2016 (unaudited)</th>
<th>2017 (unaudited)</th>
<th>2018 (unaudited)</th>
<th>2019</th>
<th>IBNR</th>
<th>December 31, 2019</th>
<th>Cumulative Number of Reported Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>8</td>
</tr>
<tr>
<td>2017</td>
<td>—</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
<td>—</td>
<td>1,758</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>—</td>
<td>—</td>
<td>15.0</td>
<td>13.5</td>
<td>0.1</td>
<td>10,522</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>46.0</td>
<td>3.8</td>
<td>18,364</td>
<td></td>
</tr>
<tr>
<td>Total incurred losses and allocated loss adjustment expenses, net</td>
<td>$61.2</td>
<td>$3.9</td>
<td>$30,652</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Amounts in accident year 2016 for the year ended December 31, 2016, 2017, 2018, and 2019 were less than $0.1 million, respectively. IBNR as of December 31, 2019 for accident year 2016 and 2017 was less than $0.1 million.

F-30
12. Unpaid Loss and Loss Adjustment Expense ("LAE") (Continued)

**Cumulative paid loss and ALAE, net of reinsurance**

The following table presents cumulative paid loss and ALAE, net of reinsurance ($ in millions):

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(unaudited)</td>
<td>(unaudited)</td>
<td>(unaudited)</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td>2017</td>
<td>1.6</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>2018</td>
<td>—</td>
<td>13.2</td>
<td>13.4</td>
<td>36.4</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total paid losses and ALAE, net</td>
<td>$ 51.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total unpaid loss and ALAE reserves, net</td>
<td>$ 9.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ceded unpaid loss and LAE</td>
<td>$ 18.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross unpaid loss and LAE</td>
<td>$ 28.2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cumulative paid loss and ALAE net of reinsurance related to accident year 2016 were less than $0.1 million during the years ended December 31, 2016, 2017, 2018, and 2019, respectively.

The reconciliation of the net incurred and paid loss information in the loss reserve rollforward table and development tables with respect to the current accident year is as follows ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>2019 - Current Accident Year</th>
<th>2019 - Prior Accident Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Incurred</td>
<td>Paid</td>
</tr>
<tr>
<td>Rollforward table</td>
<td>$ 47.3</td>
<td>$ 37.7</td>
</tr>
<tr>
<td>Development table</td>
<td>46.0</td>
<td>36.4</td>
</tr>
<tr>
<td>Variance</td>
<td>$ 1.3</td>
<td>$ 1.3</td>
</tr>
<tr>
<td>Unallocated loss adjustment expense</td>
<td>$ 1.3</td>
<td></td>
</tr>
</tbody>
</table>

**Average annual percentage payout of accident year incurred claims by age, net of reinsurance (unaudited supplementary information)**

<table>
<thead>
<tr>
<th>Years</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property &amp; Casualty</td>
<td>91%</td>
<td>9%</td>
<td>0%</td>
</tr>
</tbody>
</table>

F-31
13. Other Liabilities and Accrued Expenses

Other liabilities consists of the following ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Accrued advertising costs</td>
<td>4.6</td>
</tr>
<tr>
<td>Ceded premium payable</td>
<td>2.3</td>
</tr>
<tr>
<td>Accrued professional fees</td>
<td>1.4</td>
</tr>
<tr>
<td>Premium taxes payable</td>
<td>1.2</td>
</tr>
<tr>
<td>Employee compensation payable</td>
<td>0.2</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>—</td>
</tr>
<tr>
<td>Indirect taxes payable</td>
<td>—</td>
</tr>
<tr>
<td>Other payables</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total other liabilities and accrued expenses</strong></td>
<td><strong>$ 9.8</strong></td>
</tr>
</tbody>
</table>

14. Convertible Preferred Stock and Preferred Stock Warrants

As of December 31, 2018, the Company's certificate of incorporation, as amended and restated, authorized the Company to issue 24,449,177 shares of par value $0.00001 per share convertible preferred stock. As of December 31, 2019, the Company's certificate of incorporation, as then in effect, authorized the Company to issue 31,557,107 shares of par value $0.00001 per share convertible preferred stock.

The holders of convertible preferred stock have liquidation rights in the event of a deemed liquidation that, in certain situations, are not solely within the control of the Company. Therefore the convertible preferred stock is classified outside of stockholders' equity (deficit) on the consolidated balance sheet.

**Issuance of preferred stock**

On November 17, 2016, the Company entered into a securities purchase agreement (the "Series B SPA") with new and existing investors. According to the Series B SPA, the Company issued 4,379,117 Series B preferred stock of $0.00001 par value each, at a price per share of $7.5586, for a total consideration of $33.1 million as part of the initial closing (the "Initial Closing"). By no later than ninety days following the Initial Closing, the Company had the right to raise additional capital of up to $1.0 million by means of issuance of an additional 132,300 shares of Series B preferred stock at a price per share of $7.5586 (the "Deferred Closing"). As of December 31, 2016, the Company issued 59,534 shares of Series B preferred stock of $0.00001 par value each for a total consideration of $0.5 million in relation to the Deferred Closing. On January 13, 2017, as part of the Deferred Closing, the Company issued 66,150 shares of Series B preferred stock of $0.00001 par value each to a new investor for total consideration of $0.5 million. On February 7, 2017, as part of the Deferred Closing, the Company issued 6,616 shares of Series B preferred stock of $0.00001 par value each to two new investors for total consideration of $0.1 million.

On December 14, 2017, the Company entered into a securities purchase agreement (the "Series C SPA") with new and existing investors. Upon closing the Series C SPA on March 12,
14. Convertible Preferred Stock and Preferred Stock Warrants (Continued)

2018, the Company issued 8,700,224 Series C preferred stock of $0.00001 par value each, at a price per share of $13.80307, for a total consideration of $120.1 million. On February 20, 2019, the Company issued an additional 3,622 Series C preferred stock of $0.00001 par value each, at a price per share of $13.80307, for total consideration of $0.1 million.

On April 8, 2019, the Company entered into a securities purchase agreement (the "Series D SPA") with new and existing investors. The Series D SPA allowed for the sale of up to 7,107,930 shares of Series D preferred stock, $0.00001 par value, at a price per share of $42.20639, for gross proceeds of $300.0 million. At the initial closing on June 26, 2019, the Company issued and sold 4,146,294 shares of Series D preferred stock for gross proceeds of $175.0 million. Upon final closing on September 9, 2019, the Company issued and sold 2,961,636 shares of Series D preferred stock for gross proceeds of $125.0 million.

The total issuance expenses of the preferred stock issuances amounted to $0.2 million and $0.6 million during the years ended December 31, 2018 and 2019, respectively, have been recorded as a reduction of proceeds from the preferred stock issuance.

As of each balance sheet date, preferred stock consisted of the following ($ in millions, except for share amounts):

<table>
<thead>
<tr>
<th>Preferred Stock Authorized</th>
<th>Preferred Stock Issued and Outstanding</th>
<th>Carrying Value</th>
<th>Liquidation Preference</th>
<th>Common Stock Issuable Upon Conversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series Seed Preferred stock</td>
<td>7,905,140</td>
<td>7,905,140</td>
<td>$12.9</td>
<td>$13.0</td>
</tr>
<tr>
<td>Series A Preferred stock</td>
<td>3,328,774</td>
<td>3,328,774</td>
<td>14.0</td>
<td>13.6</td>
</tr>
<tr>
<td>Series B Preferred stock</td>
<td>4,511,417</td>
<td>4,511,417</td>
<td>34.1</td>
<td>34.1</td>
</tr>
<tr>
<td>Series C Preferred Stock</td>
<td>8,703,846</td>
<td>8,700,224</td>
<td>119.8</td>
<td>120.1</td>
</tr>
<tr>
<td></td>
<td>24,449,177</td>
<td>24,445,555</td>
<td>$180.8</td>
<td>$180.8</td>
</tr>
<tr>
<td>December 31, 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series Seed Preferred stock</td>
<td>7,905,140</td>
<td>7,905,140</td>
<td>$12.9</td>
<td>$13.0</td>
</tr>
<tr>
<td>Series A Preferred stock</td>
<td>3,328,774</td>
<td>3,328,774</td>
<td>14.0</td>
<td>13.6</td>
</tr>
<tr>
<td>Series B Preferred stock</td>
<td>4,511,417</td>
<td>4,511,417</td>
<td>34.1</td>
<td>34.1</td>
</tr>
<tr>
<td>Series C Preferred Stock</td>
<td>8,703,846</td>
<td>8,703,846</td>
<td>119.8</td>
<td>120.1</td>
</tr>
<tr>
<td>Series D Preferred Stock</td>
<td>7,107,930</td>
<td>7,107,930</td>
<td>299.4</td>
<td>300.0</td>
</tr>
<tr>
<td></td>
<td>31,557,107</td>
<td>31,557,107</td>
<td>$480.2</td>
<td>$480.8</td>
</tr>
</tbody>
</table>
The holders of the preferred stock have the following rights and preferences:

**Liquidation preference**

In the event of a liquidation event, as defined in the Company's Amended and Restated Certificate of Incorporation (the "COI"), the holders of Series D preferred Stock shall be entitled to receive, before any payment shall be made or declared to the holders of the Series Seed, A, B, and C preferred stock (collectively, the "Prior Preferred Stock") or to the holders of common stock, an amount equal to the Series D preferred stock original issue price, plus declared but unpaid dividends on such stock (the "Series D Preference"). After the full Series D Preference has been paid, and the liquidation preference of the Prior Preferred Stock has been paid, any remaining funds and assets of the Company legally available for distribution to stockholders shall be distributed pro rata among the holders of the common stock (the "Remaining Distribution"). For the purpose of determining the amount each holder of the preferred stock is entitled to receive, with respect to the Remaining Distribution, each such holder of the Series Seed, A, B, C, and D preferred stock shall be deemed to have converted such holder's stock of Series Seed, A, B, C, and D preferred stock into common stock.

**Voting rights**

Holders of Series Seed, A, B, C and D preferred stock (collectively, "Preferred Stockholders") are entitled to vote on all matters and are entitled to the number of votes equal to the number of shares of common stock into which each share of preferred stock is then convertible, except as otherwise required by law or as set forth in the Company's COI.

**Dividends**

Preferred Stockholders are entitled to receive, out of funds legally available, dividends prior and in preference to payment of any dividends (other than payable in common stock) on common stock, dividends at a rate of 8%, per share per annum, payable as and if declared by the board of directors. Such dividends shall not be cumulative.

**Conversion**

Preferred stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such amount of fully paid and non-assessable common stock as is determined by dividing the Series Seed, A, B, C and D original issuance prices by the applicable conversion price in effect at the time of conversion. Preferred stock shall automatically be converted into common stock at the applicable conversion price in effect at the time for such conversion immediately upon the earlier of: (1) the closing of a qualified public offering with aggregate gross proceeds to the Company of at least $50.0 million, or (2) the date or the occurrence of an event, specified by vote or written consent or agreement of the Preferred Majority (as defined in the COI), provided that (i) if such election is made in connection with a Liquidation Event in which the holders of Series B Preferred would receive less than one times (1x) the Original Issue Price in respect of each share Series B preferred stock as a result of such election, then the vote of the Series B Majority (as defined in the COI) shall also be required, and (ii) if such election is made in connection with a Liquidation Event in
LEMONADE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Convertible Preferred Stock and Preferred Stock Warrants (Continued)

which the holders of Series C Preferred would receive less than one times (1x) the Original Issue Price in respect of each share Series C preferred stock as a result of such election, then the vote of the Series C Majority (as defined in the COI) shall also be required.

Preferred stock warrants

On April 19, 2016, the Company entered into a twelve-month consulting services agreement (the "Consulting Agreement") with Tusk Ventures LLC ("Tusk"). Under the Consulting Agreement, the Company agreed to pay Tusk a monthly amount of $50,000 (the "Monthly Retainer"). The Monthly Retainer was paid by way of the issuance of a warrant to purchase a total of 147,201 shares of Series A preferred stock for an exercise price of $0.01 per share. The warrants were immediately exercisable and expired on the later of ten years from the date of issuance or three years after the closing of a firm commitment underwritten initial public offering, as defined in the agreement. On the issuance date of the warrants, the Company recorded the issuance-date fair value of the warrants of $0.6 million as a preferred stock warrant liability, with a corresponding amount recorded as other assets, which was subsequently amortized to general and administrative expense over the one-year service term of the agreement. The Company remeasured the liability associated with the warrants as of exercise dates and reporting periods. In June 2018, Tusk exercised the remaining portion of its warrant resulting in the issuance of 73,601 shares of Series A preferred stock. The Company recognized losses of $0.2 million within general and administrative expenses in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2018, related to the change in fair value of the warrants up to the point of being fully exercised.

15. Stockholders' Equity

Common stock

As of December 31, 2018 and 2019, the Company was authorized to issue 42,000,000 shares and 52,000,000 shares, respectively, of par value $0.00001 per share common stock. The voting, dividend and liquidation rights of the holders of the Company's common stock is subject to and qualified by the rights, powers and preferences of the holders of the preferred stock as set forth above.

Common stock confers upon its holders the following rights:

(i.) The right to participate and vote in the Company's general meetings, whether regular or extraordinary. Each share will entitle its holder, when attending and participating in the voting in person or via agent or letter, to one vote;

(ii.) The right to a share in the distribution of dividends, whether in cash or in the form of bonus stock, the distribution of assets or any other distribution pro rata to the par value of the stock held by them;

(iii.) The right to a share in the distribution of the Company's excess assets upon liquidation pro rata to the par value of the stock held by them.
Statutory dividend restrictions

The payment of dividends by LIC is restricted by state insurance regulations. Under New York insurance law, LIC may pay cash dividends only out of its statutory earned surplus. Generally, the maximum amount of dividends that LIC may pay without regulatory approval in any twelve-month period is the lesser of adjusted net investment income or 10% of statutory policyholders’ surplus as of the end of the most recently reported quarter unless the NYS Department of Financial Services, upon prior application, approves a greater dividend distribution. Adjusted net investment income is defined for this purpose to include net investment income for the thirty-six months immediately preceding the declaration or distribution of the current dividend less any dividends declared or distributed during the period commencing thirty-six months prior to the declaration or distribution of the current dividend and ending twelve months prior thereto. As of December 31, 2018 and 2019, LIC was not eligible to make dividend payments.

16. Stock-based Compensation

Share option plan

In July 2015, the Company adopted the 2015 incentive share option plan and amended and restated the plan on September 4, 2019 (the "2015 Plan"). The 2015 Plan has been amended and restated from time to time to increase the number of shares reserved for grant and to enable the grant of options to employees of the Company's subsidiaries. Under the 2015 plan, options to purchase common stock of the Company may be granted to employees, officers, directors and consultants of the Company. Each option granted can be exercised for one share of common stock of the Company. Options granted to employees generally vest over a period of no more than four years. The options expire 10 years from the date of grant.

Pursuant to the 2015 Plan, the Company had reserved 7,312,590 shares of common stock for issuance. As of December 31, 2019, there were 2,364,832 shares of common stock available for future grant.

Options granted to employees and non-employees

The fair value of each option granted during the year ended December 31, 2018 and 2019 is estimated on the date of grant using the Black-Scholes model with the following assumptions (annualized percentage):

<table>
<thead>
<tr>
<th></th>
<th>December 31.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Weighted average expected term (years)</td>
<td>6.07</td>
<td>6.06</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>2.6% - 3.1%</td>
<td>1.3% - 2.5%</td>
</tr>
<tr>
<td>Volatility</td>
<td>50%</td>
<td>45%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
LEMONADE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Stock-based Compensation (Continued)

Expected volatility is based on companies at a comparable stage, as well as companies in the same or a similar industry. The expected term of options granted is based on the simplified method, which uses the midpoint between the vesting date and the contractual term in accordance with ASC 718, "Compensation — Stock Compensation". The risk-free interest rate is based on observed interest rates appropriate for the term of the Company's stock options. The dividend yield assumption is based on the Company's historical and expected future dividend payouts and may be subject to substantial change in the future.

The following table summarizes activity under the 2015 Plan of stock options granted ($ in millions, except for option and average amounts):

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of Options</th>
<th>Weighted-Average Exercise Price</th>
<th>Weighted-Average Remaining Contractual Term (Years)</th>
<th>Aggregate Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding as of December 31, 2018</td>
<td>2,169,000</td>
<td>$3.62</td>
<td>8.75</td>
<td>$17.3</td>
</tr>
<tr>
<td>Granted</td>
<td>2,255,800</td>
<td>21.17</td>
<td>9.40</td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(182,057)</td>
<td>1.73</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cancelled</td>
<td>(193,941)</td>
<td>7.99</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding as of December 31, 2019</td>
<td>4,048,802</td>
<td>$13.27</td>
<td>8.83</td>
<td>$42.2</td>
</tr>
<tr>
<td>Options exercisable as of December 31, 2019</td>
<td>987,985</td>
<td>$4.00</td>
<td>7.52</td>
<td>$19.5</td>
</tr>
<tr>
<td>Options unvested as of December 31, 2019</td>
<td>3,110,817</td>
<td>$16.39</td>
<td>9.25</td>
<td>$22.7</td>
</tr>
</tbody>
</table>

Total stock-based compensation expenses resulting from stock options granted included in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2018 and 2019 were $2.1 million and $4.3 million, respectively.

The unrecognized expense on options granted at December 31, 2019 was $27.3 million, with a remaining weighted average vesting period of 1.6 years.

Stock-based compensation expense

Stock-based compensation expense was classified in the consolidated statements of operations and comprehensive loss as follows ($ in millions):

<table>
<thead>
<tr>
<th>Description</th>
<th>Year Ended December 31, 2018</th>
<th>Year Ended December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other insurance expense</td>
<td>$0.2</td>
<td>$0.6</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>0.3</td>
<td>1.1</td>
</tr>
<tr>
<td>Technology development</td>
<td>0.1</td>
<td>1.4</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1.5</td>
<td>1.2</td>
</tr>
<tr>
<td>Total stock-based compensation expense</td>
<td>$2.1</td>
<td>$4.3</td>
</tr>
</tbody>
</table>

F-37
16. Stock-based Compensation (Continued)

In 2016, the Company entered into share repurchase agreements (the "Repurchase Agreements") with each of its two founders (the "Founders"). According to the Repurchase Agreements, a portion of common stock previously issued to the Founders (the "Repurchase Stock") became subject to a right of repurchase by the Company. This stock was released back to the Founders over the requisite term of the Repurchase Agreements, which expired on November 30, 2018. The Company recognized related compensation expenses in the amount of $1.2 million for the year ended December 31, 2018.

In 2016 and 2017, the Company entered into stock purchase agreements with two executive employees where in lieu of cash payment for the stock, promissory notes were issued totaling $1.5 million and bearing a weighted average interest of 1.9% per annum, payable to the Company. These notes are secured by the underlying stock purchased and such unvested stock can be repurchased by the Company upon termination of each executive's employment at the original issuance price. Because the Company only has partial recourse under the promissory notes, the Company considered the purchase of the stock to be non-substantive. As such, the note receivable is not reflected in the consolidated financial statements and the related stock transaction will be recorded at the time the note receivable is settled in cash. In accordance with ASC 718, the purchases were treated as exercises of stock options with the fair value recognized over the requisite service period through a charge to compensation cost. The maturity date of the promissory notes reflects the legal term of the stock option for purposes of valuing the award. Total stock-based compensation expenses resulting from stock options granted to the executives in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2018 and 2019 were $0.2 million and $0.2 million, respectively.

The unrecognized expense on options granted to these executives at December 31, 2019 was $0.2 million, with a remaining weighted average vesting period of 1.3 years.

One executive settled a portion of the existing promissory note in an amount equal to $0.1 million inclusive of accumulated interest, for which 62,500 shares were released in 2018 and $0.2 million inclusive of accumulated interest, for which 105,487 shares were released in 2019. As of December 31, 2018 and 2019, 619,024 shares and 513,537 shares were restricted under the stock purchase agreements.

17. Income Taxes

Corporate tax rates

Lemonade, Inc., together with its U.S. subsidiaries, is taxed under the tax laws of the United States and the statutory enacted corporate income tax rate for the years ended December 31, 2018 and 2019 is approximately 21%.

In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), which reduced the corporate income tax rate to 23% effective from January 1, 2018.

Deferred taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income
17. Income Taxes (Continued)

The Company’s deferred tax assets are comprised of operating loss carryforwards and other temporary differences.

The components of the net deferred tax assets are as follows ($ in millions):

<table>
<thead>
<tr>
<th>Deferred tax assets (liabilities):</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Net operating loss carryforwards</td>
<td>$ 27.3</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>0.4</td>
</tr>
<tr>
<td>Net unearned premium</td>
<td>1.1</td>
</tr>
<tr>
<td>Startup costs</td>
<td>0.6</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td><strong>Total gross deferred tax assets</strong></td>
<td>29.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferred tax liabilities:</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Deferred acquisition costs</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total gross deferred tax liabilities</strong></td>
<td>—</td>
</tr>
</tbody>
</table>

Valuation allowance                        | (29.4) | (66.0) |
Total deferred tax assets, net              | $     | —     |

**Income tax expense**

(Loss) income before tax consists of the following ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>United States</td>
<td>$ (53.0)</td>
</tr>
<tr>
<td>Foreign</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ (52.6)</td>
</tr>
</tbody>
</table>
## 17. Income Taxes (Continued)

Income tax expense consists of the following ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td>State</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Foreign</td>
<td>0.3</td>
<td>0.6</td>
</tr>
<tr>
<td>Total current</td>
<td>0.3</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Deferred:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td>State</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Foreign</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total deferred</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total income tax expense</strong></td>
<td>$ 0.3</td>
<td>$ 0.6</td>
</tr>
</tbody>
</table>

The Company classifies all interest and penalties related to tax contingencies as income tax expense.

As of December 31, 2019, there were no material positions for which management believes it is reasonably possible that the total amounts will significantly increase or decrease within 12 months of the reporting date.

The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes.

A reconciliation of the Company’s statutory income tax rate to the Company’s effective income tax rate is as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income at US statutory rate</td>
<td>21.0%</td>
<td>21.0%</td>
</tr>
<tr>
<td>State taxes, net of federal benefit</td>
<td>12.0%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Permanent differences</td>
<td>(1.4)%</td>
<td>(1.7)%</td>
</tr>
<tr>
<td>Tax law change</td>
<td>0.5%</td>
<td>—</td>
</tr>
<tr>
<td>Foreign rate differential</td>
<td>—</td>
<td>0.1%</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(33.6)%</td>
<td>(33.9)%</td>
</tr>
<tr>
<td>Other</td>
<td>0.9%</td>
<td>—</td>
</tr>
<tr>
<td>Total income taxes</td>
<td>(0.6)%</td>
<td>(0.6)%</td>
</tr>
</tbody>
</table>

**Tax reform in the U.S.**

For taxable years beginning after December 31, 2017, the U.S. Tax Cuts and Jobs Act of 2017 introduced new provisions intended to prevent the erosion of the United States federal income tax.
17. Income Taxes (Continued)

base through the taxation of certain global intangible low-taxed income ("GILTI"). The GILTI provisions created a new requirement that certain income earned by controlled foreign corporations ("CFCs") must be included currently in the gross income of the CFC's United States tax resident shareholder. Generally, GILTI is the excess of the United States shareholder's pro rata portion of the income of its foreign subsidiaries over the net deemed tangible income return of such subsidiaries. Under GAAP, the company is allowed to make an accounting policy choice to either: (i) treat taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the "period cost method"); or (ii) factor in such amounts into a company's measurement of its deferred taxes (the "deferred method"). The Company selected to apply the "period cost method" to account for the new GILTI tax, and treated it as a current-period expense for 2018 and 2019 and had a gross inclusion of $2.3 million and $5.5 million, respectively, in its taxable income.

**Tax benefits under Israel's law for the Encouragement of Capital Investments, 1959 ("the Investment Law")**

As of January 1, 2011, new legislation amending the Investment Law came into effect (the "2011 Amendment"). The 2011 Amendment introduced new statuses of "Preferred Company" and "Preferred Enterprise", replacing the then existing status of "Beneficiary Company" and "Beneficiary Enterprise". Similar to the previous status of Beneficiary Company, a Preferred Company is an industrial company owning a Preferred Enterprise which meets certain conditions, including a minimum threshold of 25% export, though the requirement for a minimum investment in productive assets was cancelled as part of the 2011 Amendment.

Under the 2011 Amendment, a uniform corporate tax rate will apply to all qualifying income of the Preferred Company, as opposed to the former law which was limited to income from the Approved Enterprises and Beneficiary Enterprise during the benefits period. During 2015 and 2016, the uniform corporate tax rate was 9% in areas in Israel designated as Development Zone A and 16% elsewhere in Israel. In December 2016, the Economic Efficiency Law 2016 (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), which includes Amendment 73 to the Investment Law ("the Amendment"), was published. According to the Amendment, a Preferred Enterprise located in Development Zone A will be subject to a tax rate of 7.5%, effective from January 1, 2017 and thereafter. The tax rate applicable to Preferred Enterprises located in other areas remains at 16%.

During 2019, Lemonade Ltd., which is located outside Development Zone A, adopted the Amendment and filed a request to receive Preferred Enterprises status.

**Net operating loss carryforward**

As of December 31, 2019, the Company has gross accumulated federal losses for tax purposes of $186.1 million, which can be offset against future taxable income. Of this federal loss carryforward, $36.8 million in losses will begin to expire in 2035 and $149.3 million in losses can be carried forward indefinitely. As of December 31, 2019, the Company has gross accumulated state losses for tax purposes of $335.2 million which will begin to expire in 2029.

The Company's income tax returns for 2016 through 2019 remain subject to examination by the tax authorities.
18. Net Loss per Share and Unaudited Pro Forma Net Loss per Share

Net loss per share

Basic and diluted net loss per share attributable to common stockholders was calculated as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Numerator:</td>
<td></td>
</tr>
<tr>
<td>Net loss attributable to common stockholders (in millions)</td>
<td>$(52.9)</td>
</tr>
<tr>
<td>Denominator:</td>
<td></td>
</tr>
<tr>
<td>Weighted average common shares outstanding — basic and diluted</td>
<td>10,931,776</td>
</tr>
<tr>
<td>Net loss per share attributable to common stockholders — basic and diluted</td>
<td>$(4.84)</td>
</tr>
</tbody>
</table>

The Company’s potentially dilutive securities, which include stock options, preferred stock and warrants to purchase shares of preferred stock, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to common stockholders for the periods indicated because including them would have had an anti-dilutive effect:

<table>
<thead>
<tr>
<th>Options to purchase common stock</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Options to purchase common stock</td>
<td>2,169,000</td>
</tr>
<tr>
<td>Convertible preferred stock</td>
<td>24,445,555</td>
</tr>
<tr>
<td></td>
<td>26,614,555</td>
</tr>
</tbody>
</table>

In addition to the potentially dilutive securities noted above, in 2017 the Company entered into stock purchase agreements with executive employees where in lieu of cash payment for the stock, promissory notes were issued (see Note 16). The Company determined the purchase of the stock to be non-substantive, and as such, the shares subject to the promissory notes will not be deemed issued until such time as the promissory notes have been repaid. Accordingly, the Company has excluded these shares from the table above and the calculation of basic and diluted net loss per share for the years ended December 31, 2018 and 2019.

Unaudited pro forma net loss per share attributable to common stockholders

The unaudited pro forma basic and diluted net loss per share attributable to common stockholders for the year ended December 31, 2019 has been prepared to give effect to adjustments arising upon the completion of the proposed IPO. The unaudited pro forma net loss attributable to common stockholders used in the calculation of unaudited pro forma basic and diluted net loss per share attributable to common stockholders gives effect, upon the proposed
18. Net Loss per Share and Unaudited Pro Forma Net Loss per Share (Continued)

IPO, to (i) the conversion of shares of preferred stock into shares of common stock as if the proposed IPO had occurred on the later of January 1, 2019 or the issuance date of the preferred stock, and (ii) the Settlement of the Executive Promissory Notes as if it had occurred on January 1, 2019.

Unaudited pro forma basic and diluted net loss per share attributable to common stockholders was calculated as follows:

<table>
<thead>
<tr>
<th>Year Ended December 31, 2019 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Numerator (in millions):</td>
</tr>
<tr>
<td>Pro forma net loss attributable to common stockholders $ (108.5)</td>
</tr>
<tr>
<td>Denominator:</td>
</tr>
<tr>
<td>Weighted average common shares outstanding — basic and diluted 11,085,906</td>
</tr>
<tr>
<td>Pro forma adjustment to reflect automatic conversion of convertible preferred stock into common stock upon the closing of the proposed IPO 27,501,186</td>
</tr>
<tr>
<td>Pro forma adjustment to reflect common shares outstanding upon Settlement of Executive Promissory Notes 619,024</td>
</tr>
<tr>
<td>Pro forma weighted average common shares outstanding — basic and diluted 39,206,116</td>
</tr>
<tr>
<td>Pro forma net loss per share attributable to common stockholders — basic and diluted $ (2.77)</td>
</tr>
</tbody>
</table>

19. Related Party Transactions

The Company uses the services of a travel agency owned by a relative of one of the Company's key stockholders. During the years ended December 31, 2018 and 2019, the Company incurred travel related expenses in the amount of approximately $0.2 million and $0.3 million, respectively, in connection with these services.

The Company has leased office space in the Netherlands from an affiliate. Rental expense recorded for the years ended December 31, 2018 and 2019 in connection with this leased space was less than $0.1 million and $0.1 million, respectively.

There were no outstanding amounts due to or from related parties as of December 31, 2018 and 2019.

20. Commitments and Contingencies

Litigation

The Company is occasionally a party to routine claims or litigation incidental to its business. The Company does not believe that it is a party to any pending legal proceeding that is likely to have a material adverse effect on its business, financial condition or results of operations.
20. Commitments and Contingencies (Continued)

Lease commitments

The Company and its subsidiaries lease their facilities under various operating lease agreements. The Company's headquarters in New York is under a lease that expires in November 2022. The Company's Israel based operations occupy offices with lease expiration dates that extend through January 2023. On March 18, 2019, the Company entered into a lease agreement to lease office space in Scottsdale, Arizona that expires in November 2024.

Aggregate minimum rental commitments under non-cancelable operating leases at December 31, 2019 are as follows ($ in millions):

<table>
<thead>
<tr>
<th>Year</th>
<th>Commitments ($ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$3.5</td>
</tr>
<tr>
<td>2021</td>
<td>3.3</td>
</tr>
<tr>
<td>2022</td>
<td>2.9</td>
</tr>
<tr>
<td>2023</td>
<td>0.3</td>
</tr>
<tr>
<td>2024 and thereafter</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$10.3</strong></td>
</tr>
</tbody>
</table>

Expenses for lease of facilities for the years ended December 31, 2018 and 2019 were approximately $1.5 million and $3.0 million, respectively and are included in general and administrative expenses in the consolidated statements of operations and comprehensive loss.

Charges and guarantees

As of December 31, 2018 and 2019, the Company provided guarantees in an aggregate amount of $0.5 million and $0.6 million, respectively, with respect to office leases.

21. Statutory Financial Information

U.S. state insurance laws and regulations prescribe accounting practices for determining statutory net income and capital and surplus for insurance companies. In addition, state regulators may permit statutory accounting practices that differ from prescribed practices. Statutory accounting practices ("SAP") prescribed or permitted by regulatory authorities for statements of the Company's insurance subsidiary are (a) policy acquisition costs are expensed as incurred under SAP, whereas they are deferred and amortized under GAAP, (b) certain assets are not admitted for purposes of determining surplus under SAP, (c) investments in fixed income securities are carried at amortized cost under SAP, whereas such securities are carried at fair value under GAAP, and (d) the criteria for recognizing net deferred tax assets ("DTAs") and the methodologies used to determine such amounts are different under SAP and GAAP.

Risk-based capital (RBC) requirements promulgated by the NAIC require property/casualty insurers to maintain minimum capitalization levels determined based on formulas incorporating various business risks of the insurance subsidiaries. LIC's statutory net income and statutory capital
LEMONADE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Statutory Financial Information (Continued)

surplus as of December 31, 2018 and 2019 and for the years then ended are summarized as follows ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Statutory net loss</td>
<td>(6.6)</td>
</tr>
<tr>
<td>Statutory capital and surplus</td>
<td>23.6</td>
</tr>
</tbody>
</table>

As of December 31, 2019, the Company's capital and surplus exceeds its authorized control level RBC. The authorized control level RBC was $5.6 million and $13.7 million at December 31, 2018 and 2019, respectively.

22. Geographical Breakdown of Gross Written Premium

The Company has a single reportable segment and offers insurance coverage under a single line of business, homeowners multi-peril. Gross written premium by state is as follows ($ in millions):

<table>
<thead>
<tr>
<th>State</th>
<th>2018</th>
<th>% of GWP</th>
<th>2019</th>
<th>% of GWP</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$12.5</td>
<td>26.7%</td>
<td>$29.0</td>
<td>25.0%</td>
</tr>
<tr>
<td>Texas</td>
<td>13.4</td>
<td>28.6%</td>
<td>28.6</td>
<td>24.7%</td>
</tr>
<tr>
<td>New York</td>
<td>7.3</td>
<td>15.6%</td>
<td>15.8</td>
<td>13.6%</td>
</tr>
<tr>
<td>Georgia</td>
<td>2.2</td>
<td>4.7%</td>
<td>6.2</td>
<td>5.4%</td>
</tr>
<tr>
<td>Illinois</td>
<td>2.5</td>
<td>5.3%</td>
<td>5.2</td>
<td>4.5%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>1.7</td>
<td>3.6%</td>
<td>4.7</td>
<td>4.1%</td>
</tr>
<tr>
<td>Michigan</td>
<td>0.9</td>
<td>1.9%</td>
<td>3.2</td>
<td>2.8%</td>
</tr>
<tr>
<td>Ohio</td>
<td>1.3</td>
<td>2.8%</td>
<td>2.9</td>
<td>2.5%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>1.1</td>
<td>2.4%</td>
<td>2.7</td>
<td>2.3%</td>
</tr>
<tr>
<td>Arizona</td>
<td>0.8</td>
<td>1.7%</td>
<td>2.5</td>
<td>2.2%</td>
</tr>
<tr>
<td>All other</td>
<td>3.1</td>
<td>6.7%</td>
<td>15.0</td>
<td>12.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>46.8</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>115.8</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

23. Subsequent Events

On February 18, 2020, the Company transferred 500,000 shares of common stock as the initial endowment of the Lemonade Foundation, a 501(c) (4) social welfare organization established under Arizona law.
LEMONADE, INC.

CONDENSED BALANCE SHEETS (Parent Company)

($ in millions, except share and per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash</td>
<td>$76.4</td>
</tr>
<tr>
<td>Intercompany receivable</td>
<td>10.4</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>0.5</td>
</tr>
<tr>
<td>Intangible asset</td>
<td>—</td>
</tr>
<tr>
<td>Other assets</td>
<td>1.2</td>
</tr>
<tr>
<td>Investment in subsidiaries</td>
<td>35.4</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$123.9</td>
</tr>
</tbody>
</table>

| **Liabilities, Convertible Preferred Stock and Stockholders’ Equity (Deficit)** |       |       |
| Trade payables        | 1.3   | 0.2   |
| Intercompany payable  | 8.5   | 15.1  |
| Other liabilities     | 6.2   | 10.7  |
| **Total liabilities** | 16.0  | 26.0  |

| **Commitments and contingencies** |       |       |
| Convertible preferred stock (Series Seed, A, B, C and D), $0.00001 par value; 24,449,177 shares and 31,557,107 shares authorized; 24,445,555 shares and 31,557,107 shares issued and outstanding as of December 31, 2018 and 2019, respectively; aggregate liquidation preference of $480.8 million as of December 31, 2019 | 180.8  | 480.2 |

| **Stockholders’ equity (deficit):** |       |       |
| Common stock, $0.00001 par value, 42,000,000 shares and 52,000,000 shares authorized as of December 31, 2018 and 2019, respectively; 11,602,708 shares and 11,784,765 shares issued and outstanding as of December 31, 2018 and 2019, respectively | —     | —     |
| Additional paid-in capital | 0.7   | 3.9   |
| Accumulated deficit | (73.6) | (182.1)|
| **Total stockholders’ equity (deficit)** | (72.9) | (178.2)|
| **Total liabilities, convertible preferred stock and stockholders’ equity (deficit)** | $123.9 | $328.0 |

The accompanying notes are an integral part of the condensed financial statements.

F-46
LEMONADE, INC.

CONDENSED STATEMENTS OF OPERATIONS (Parent Company)

($ in millions, except share and per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
</tr>
<tr>
<td>Net investment income</td>
<td>$ 1.0</td>
</tr>
<tr>
<td>Total revenue</td>
<td>$ 1.0</td>
</tr>
<tr>
<td>Expense</td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>7.6</td>
</tr>
<tr>
<td>Total expense</td>
<td>7.6</td>
</tr>
<tr>
<td>Loss before equity in net loss of subsidiaries</td>
<td>(6.6)</td>
</tr>
<tr>
<td>Equity in net loss of subsidiaries</td>
<td>(46.4)</td>
</tr>
<tr>
<td>Net loss</td>
<td>$ (53.0)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the condensed financial statements.

F-47
## CONDENSED STATEMENTS OF CASH FLOWS (Parent Company)

($ in millions, except share and per share amounts)

### Year Ended December 31, 2018

<table>
<thead>
<tr>
<th>Cash flows from operating activities:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
<td>$(53.0)</td>
<td>$(108.5)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash used in operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>0.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>0.7</td>
<td>2.3</td>
</tr>
<tr>
<td>Change in fair value of warrant liability</td>
<td>0.2</td>
<td>—</td>
</tr>
<tr>
<td>Equity in undistributed earnings of subsidiaries</td>
<td>46.4</td>
<td>90.7</td>
</tr>
<tr>
<td><strong>Change in assets and liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intercompany receivable</td>
<td>(0.7)</td>
<td>(11.8)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(0.7)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Trade payable</td>
<td>(0.7)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Intercompany payable</td>
<td>(0.3)</td>
<td>6.6</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>5.8</td>
<td>4.9</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(2.2)</td>
<td>(17.1)</td>
</tr>
</tbody>
</table>

### Cash flows from investing activities:

| Investments in subsidiaries | (55.4) | (117.2) |
| Purchases of property and equipment | (0.5) | (1.7) |
| **Purchases of intangible assets** | — | (0.6) |
| **Net cash used in investing activities** | (55.9) | (119.5) |

### Cash flows from financing activities:

| Issuance of Preferred stock, net | 119.8 | 299.4 |
| Proceeds from stock purchases   | 0.1   | 0.5   |
| **Net cash provided by financing activities** | 119.9 | 299.9 |
| Increase in cash, cash equivalents and restricted cash | 61.8 | 163.3 |
| **Cash, cash equivalents and restricted cash at beginning of period** | 14.6 | 76.4 |
| **Cash, cash equivalents and restricted cash at end of period** | $76.4 | $239.7 |

The accompanying notes are an integral part of the condensed financial statements.

F-48
1. Business

Lemonade, Inc. (the "Company") is an insurance holding company that was incorporated in Delaware on June 17, 2015.

2. Accounting Policies

The accompanying condensed financial statements have been prepared using the equity method. Under the equity method, the investment in consolidated subsidiaries is stated at cost plus equity in undistributed earnings of consolidated subsidiaries since the date of acquisition. These condensed financial statements should be read in conjunction with the Company's consolidated financial statements.

Use of estimates

Preparation of the condensed financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Those estimates are inherently subject to change, and actual results may ultimately differ from those estimates.
<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>Balance at beginning of period</th>
<th>Additions</th>
<th>Charge to other accounts</th>
<th>(Deductions)</th>
<th>Balance at end of period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation allowance for deferred tax assets Year Ended December 31, 2018</td>
<td>$10.8</td>
<td>$18.6</td>
<td>—</td>
<td>—</td>
<td>$29.4</td>
</tr>
<tr>
<td>Valuation allowance for deferred tax assets Year Ended December 31, 2019</td>
<td>$29.4</td>
<td>$36.6</td>
<td>—</td>
<td>—</td>
<td>$66.0</td>
</tr>
<tr>
<td>Allowance for premium receivables</td>
<td>$0.9</td>
<td>—</td>
<td>(0.7)</td>
<td>$</td>
<td>0.2</td>
</tr>
</tbody>
</table>
# LEMONADE, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

($ in millions, except share and per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2019</th>
<th>March 31, 2020</th>
<th>Pro Forma March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed maturities available-for-sale, at fair value (amortized cost: $5.8 million and $6.8 million as of December 31, 2019 and March 31, 2020)</td>
<td>$5.9</td>
<td>$7.0</td>
<td>$7.0</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>54.7</td>
<td>29.8</td>
<td>29.8</td>
</tr>
<tr>
<td>Total investments</td>
<td>60.6</td>
<td>36.8</td>
<td>36.8</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash</td>
<td>270.3</td>
<td>274.2</td>
<td>275.5</td>
</tr>
<tr>
<td>Premium receivable, net of allowance for doubtful accounts of $0.2 million and $0.3 million as of December 31, 2019 and March 31, 2020</td>
<td>54.1</td>
<td>57.2</td>
<td>57.2</td>
</tr>
<tr>
<td>Reinsurance recoverable</td>
<td>20.3</td>
<td>22.4</td>
<td>22.4</td>
</tr>
<tr>
<td>Prepaid reinsurance premium</td>
<td>1.0</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Deferred acquisition costs</td>
<td>1.8</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>3.1</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Other assets</td>
<td>2.5</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Total assets</td>
<td>$414.3</td>
<td>$399.9</td>
<td>$401.2</td>
</tr>
<tr>
<td><strong>Liabilities, Convertible Preferred Stock and Stockholders’ Equity (Deficit)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unpaid losses and loss adjustment expenses</td>
<td>$28.2</td>
<td>$31.8</td>
<td>$31.8</td>
</tr>
<tr>
<td>Unearned premium</td>
<td>68.0</td>
<td>75.6</td>
<td>75.6</td>
</tr>
<tr>
<td>Trade payables</td>
<td>0.7</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Other liabilities and accrued expenses</td>
<td>19.7</td>
<td>16.0</td>
<td>16.0</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>116.6</td>
<td>124.3</td>
<td>124.3</td>
</tr>
<tr>
<td><strong>Commitments and contingencies (Note 15)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convertible preferred stock (Series Seed, A, B, C and D), $0.00001 par value; 31,557,107 shares authorized, issued and outstanding as of December 31, 2019 and March 31, 2020, respectively; aggregate liquidation preference of $480.8 million as of March 31, 2020; no shares issued and outstanding, pro forma as of March 31, 2020</td>
<td>480.2</td>
<td>480.2</td>
<td>—</td>
</tr>
<tr>
<td>Common stock, $0.00001 par value, 52,000,000 shares authorized as of December 31, 2019 and March 31, 2020, respectively; 11,784,765 shares and 12,339,139 shares issued and 11,271,228 shares and 11,825,602 shares outstanding as of December 31, 2019 and March 31, 2020, respectively; 43,896,246 shares issued and outstanding, pro forma as of March 31, 2020</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>15.7</td>
<td>30.1</td>
<td>511.6</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(198.3)</td>
<td>(234.8)</td>
<td>(234.8)</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Total stockholders’ equity (deficit)</td>
<td>(182.5)</td>
<td>(204.6)</td>
<td>276.9</td>
</tr>
<tr>
<td>Total liabilities, convertible preferred stock and stockholders’ equity (deficit)</td>
<td>$414.3</td>
<td>$399.9</td>
<td>$401.2</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.
LEMONADE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (unaudited)

($ in millions, except share and per share amounts)

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

F-52
<table>
<thead>
<tr>
<th></th>
<th>Convertible Preferred Stock</th>
<th>Common Stock</th>
<th>Additional Paid-In Capital</th>
<th>Accumulated Other Comprehensive Income</th>
<th>Total Stockholders' Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Amount</td>
<td>Shares</td>
<td>Amount</td>
<td>Deficit</td>
<td></td>
</tr>
<tr>
<td>Balance as of December 31, 2018</td>
<td>24,445,555 $ 180.8</td>
<td>10,983,684 $</td>
<td>—</td>
<td>10.7 $</td>
<td>(89.8)$</td>
</tr>
<tr>
<td>Exercise of stock options</td>
<td>—</td>
<td>—</td>
<td>3,125</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of Series C Preferred stock, net of issuance costs of $0</td>
<td>3,622</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Release of shares upon repayment</td>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>0.4</td>
<td>—</td>
</tr>
<tr>
<td>Net loss</td>
<td></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(21.6)</td>
</tr>
<tr>
<td>Balance as of March 31, 2019</td>
<td>24,449,177 $ 180.8</td>
<td>10,986,809 $</td>
<td>—</td>
<td>11.1 $</td>
<td>(111.4)$</td>
</tr>
<tr>
<td>Balance as of December 31, 2019</td>
<td>31,557,107 $ 480.2</td>
<td>11,271,228 $</td>
<td>—</td>
<td>15.7 $</td>
<td>(198.3)$</td>
</tr>
<tr>
<td>Exercise of stock options</td>
<td>—</td>
<td>—</td>
<td>54,374</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2.2</td>
<td>—</td>
</tr>
<tr>
<td>Contribution to the Lemonade Foundation</td>
<td>—</td>
<td>—</td>
<td>500,000</td>
<td>12.2</td>
<td>—</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(36.5)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance as of March 31, 2020</td>
<td>31,557,107 $ 480.2</td>
<td>11,825,602 $</td>
<td>—</td>
<td>30.1 $</td>
<td>(234.8)$</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

F-53
LEMONADE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended March 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>(21.6)</td>
<td>(36.5)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash used in operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>—</td>
<td>0.3</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>0.4</td>
<td>2.2</td>
</tr>
<tr>
<td>Amortization of discount on bonds</td>
<td>—</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>—</td>
<td>0.4</td>
</tr>
<tr>
<td>Noncash interest</td>
<td>(0.1)</td>
<td>—</td>
</tr>
<tr>
<td>Common share contribution to the Lemonade Foundation</td>
<td>—</td>
<td>12.2</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium receivable</td>
<td>(5.5)</td>
<td>(3.4)</td>
</tr>
<tr>
<td>Reinsurance recoverable</td>
<td>(2.5)</td>
<td>(2.1)</td>
</tr>
<tr>
<td>Prepaid reinsurance premium</td>
<td>1.5</td>
<td>0.9</td>
</tr>
<tr>
<td>Deferred acquisition costs</td>
<td>—</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(0.4)</td>
<td>(1.6)</td>
</tr>
<tr>
<td>Unpaid loss and loss adjustment expenses</td>
<td>3.2</td>
<td>3.6</td>
</tr>
<tr>
<td>Unearned premium</td>
<td>6.8</td>
<td>7.6</td>
</tr>
<tr>
<td>Trade payables</td>
<td>(0.3)</td>
<td>0.2</td>
</tr>
<tr>
<td>Other liabilities and accrued expenses</td>
<td>(1.9)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(20.4)</td>
<td>(19.4)</td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from short-term investments sold or matured</td>
<td>6.0</td>
<td>40.0</td>
</tr>
<tr>
<td>Proceeds from bonds sold or matured</td>
<td>—</td>
<td>1.4</td>
</tr>
<tr>
<td>Cost of bonds acquired</td>
<td>(1.1)</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Cost of short-term investments acquired</td>
<td>(14.8)</td>
<td>(14.9)</td>
</tr>
<tr>
<td>Purchases of property plant and equipment</td>
<td>(0.6)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>(10.5)</td>
<td>23.5</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash, cash equivalents and restricted cash</td>
<td>—</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Net (decrease) increase in cash, cash equivalents and restricted cash</td>
<td>(30.9)</td>
<td>3.9</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash at beginning of period</td>
<td>102.4</td>
<td>270.3</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash at end of period</td>
<td>$ 71.5</td>
<td>$ 274.2</td>
</tr>
<tr>
<td>Supplemental disclosure of cash flow information:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid for income taxes</td>
<td>—</td>
<td>$ 0.5</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

F-54
1. Nature of the Business

Lemonade, Inc. is a public benefit corporation organized under Delaware law on June 17, 2015. It provides certain personnel, facilities and services to each of its subsidiaries (together with Lemonade, Inc., the "Company"), all of which are 100% owned, directly or indirectly, by Lemonade, Inc. The Company consists of the following entities, which support Lemonade, Inc.'s U.S. and E.U. operations: (1) Lemonade Insurance Company, an insurance corporation organized under New York law; this company issues insurance policies and pays claims; it is licensed and regulated as a stock property and casualty insurance company in New York and in all other states where the Company's insurance products are available; (2) Lemonade Insurance Agency, LLC, a limited liability company organized under New York law; this company is licensed as an insurance agent in New York and in all other states where the Company's insurance products are available and it acts as the distribution and marketing agent for Lemonade Insurance Company and provides certain underwriting and claims services, and receives a fixed percentage of premium for doing so; it also acts as agent for other insurance companies in distributing their insurance, for which it receives various percentages of premium; (3) Lemonade Ltd., a company organized under the laws of Israel; this company provides technology, research and development, management, marketing and other services to the companies in the group, charged on a "cost plus" basis; (4) Lemonade Insurance N.V., a public limited company organized under the laws of the Netherlands; (5) Lemonade Agency B.V., a Netherlands private limited liability company, (6) Lemonade B.V., a Netherlands private limited liability company; and (7) Lemonade Life Insurance Agency, LLC, a limited liability company formed in Delaware to act as the distribution and marketing agent for the sale and servicing of life insurance products.

2. Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of the Company and its wholly owned subsidiaries. All material inter-company transactions and balances have been eliminated upon consolidation. All foreign currency amounts in the statement of operations and comprehensive loss have been translated using an average rate for the reporting period. The Company translates all monetary assets and liabilities denominated in foreign currencies into U.S. dollars using the exchange rates in effect at the balance sheet dates and other assets and liabilities using historical exchange rates. All figures expressed, except share amounts, are represented in U.S. dollars in millions. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2019 included elsewhere in this prospectus.

Risk and Uncertainties

The global pandemic resulting from the disease known as COVID-19, caused by a novel strain of coronavirus, SARS-CoV-2, has caused national and global economic and financial market disruptions and may adversely impact our business. Although the Company did not see a material impact on its net earned premium in the first quarter of 2020 due to the COVID-19 pandemic, the Company cannot predict the duration or magnitude of the pandemic or the full impact that it may have on the Company's financial condition, operations, and workforce.
2. Basis of Presentation (Continued)

Unaudited interim financial information

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of its financial position and its results of operations, changes in convertible preferred stock and stockholders' deficit and cash flows. The condensed consolidated balance sheet at December 31, 2019, was derived from audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements.

3. Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. On an ongoing basis, the Company's management evaluates estimates, including those related to contingent assets and liabilities as of the date of the financial statements as well as the reported amounts of revenue and expense during the reporting period. Such estimates are based on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities at the dates of the condensed consolidated financial statements, and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates. Significant estimates reflected in the Company's condensed consolidated financial statements include, but are not limited to, reserves for loss and loss adjustment expense, reinsurance recoverables on unpaid losses, and the fair values of investments.

Unaudited pro forma information

The accompanying unaudited pro forma consolidated balance sheet as of March 31, 2020 has been prepared assuming (i) the automatic conversion of all outstanding shares of convertible preferred stock into 31,557,107 shares of common stock upon an initial public offering (IPO), and (ii) the settlement of promissory notes for $1.3 million in cash related to the stock purchase agreements entered into with two executives for the purchase of common stock that were contractually required to be settled in connection with the filing of a registration statement under the Securities Act, resulting in 513,537 shares being deemed issued and outstanding (but subject to vesting in accordance with the terms of the stock purchase agreements) (the "Settlement of Executive Promissory Notes"), as if the proposed IPO and the Settlement of Executive Promissory Notes had occurred on March 31, 2020.

In the accompanying consolidated statements of operations, the unaudited pro forma basic and diluted net loss per share attributable to common stockholders for the three months ended March 31, 2020 has been prepared assuming (i) the automatic conversion of all outstanding shares of convertible preferred stock into shares of common stock upon an IPO, as if the proposed IPO had occurred on the later of January 1, 2020 or the issuance date of the redeemable convertible preferred stock, and (ii) the Settlement of Executive Promissory Notes as if it had occurred on January 1, 2019.
4. Summary of Significant Accounting Policies

Cash, cash equivalents and restricted cash

The following represents the Company's cash, cash equivalents and restricted cash as of December 31, 2019 and March 31, 2020 ($ in millions).

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2019</th>
<th></th>
<th>As of March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$270.0</td>
<td></td>
<td>$273.9</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>0.3</td>
<td></td>
<td>0.3</td>
</tr>
<tr>
<td>Total cash, cash equivalents</td>
<td>$270.3</td>
<td></td>
<td>$274.2</td>
</tr>
</tbody>
</table>

Cash consists primarily of cash on hand and bank deposits. Cash equivalents consist primarily of money market accounts with maturities of three months or less at the date of acquisition and are stated at cost, which approximates fair value. The Company's restricted cash relates to security deposits for office leases in Israel. The carrying value of restricted cash approximates fair value.

Deferred offering costs

The Company capitalizes certain legal, professional accounting and other third-party fees that are directly associated with in-process equity financings as deferred offering costs until such financings are consummated. After consummation of the equity financing, these costs are recorded as a reduction to the carrying value of stockholders’ equity (deficit) as a reduction of additional paid-in capital generated as a result of such offering. Should an in-process equity financing be abandoned, the deferred offering costs will be expensed immediately as a charge to operating expenses in the condensed consolidated statements of operations and comprehensive loss. As of March 31, 2020, the Company recorded deferred offering costs of $0.4 million within other assets in the accompanying condensed consolidated balance sheets.

Recent accounting pronouncements

The Company currently qualifies as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Accordingly, the Company is provided the option to adopt new or revised accounting guidance either (i) within the same periods as those otherwise applicable to non-emerging growth companies or (ii) within the same time periods as private companies.

The Company has elected to adopt new or revised accounting guidance within the same time period as private companies, unless, as indicated below, management determines it is preferable to take advantage of early adoption provisions offered within the applicable guidance.

Recently issued accounting pronouncements

In February 2016, the FASB issued Leases (Topic 842) ("ASU 2016-02"), whereby lessee's will be required to recognize for all leases at the commencement date a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the
4. Summary of Significant Accounting Policies (Continued)

use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. A modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements must be applied. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. ASU 2016-02 is effective for the Company's annual periods beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The adoption of the new standard is expected to result in the recognition of additional lease liabilities and right-of-use assets as of January 1, 2022. The Company is evaluating the potential impact of this pronouncement.

In June 2016, the FASB issued Financial Instruments — Credit Losses, Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 will change the way entities recognize impairment of financial assets by requiring immediate recognition of estimated credit losses expected to occur over the remaining life of many financial assets, including, among others, held-to-maturity debt securities, premium receivables, and reinsurance recoverable. The valuation allowance is a measurement of expected losses that is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This methodology is referred to as the current expected credit loss model. ASU 2016-13 requires a valuation allowance to be calculated on these financial assets, as well as available for sale securities, and that they be presented on the financial statements net of the valuation allowance. ASU 2016-13 is effective for the Company's annual periods beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact of ASU 2016-13 on its financial condition and results of operations, with a primary focus on its reinsurance recoverable.

5. Investments

Unrealized gains and losses

The following tables present cost or amortized cost and fair values of investments as of December 31, 2019 and March 31, 2020, respectively ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>Cost or Amortized Cost</th>
<th>Gross Unrealized Gains</th>
<th>Losses</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>December 31, 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government obligations</td>
<td>$5.8</td>
<td>$0.1</td>
<td>$—</td>
<td>$5.9</td>
</tr>
<tr>
<td>Total</td>
<td>$5.8</td>
<td>$0.1</td>
<td>$—</td>
<td>$5.9</td>
</tr>
<tr>
<td><strong>March 31, 2020</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government obligations</td>
<td>$6.8</td>
<td>$0.2</td>
<td>$—</td>
<td>$7.0</td>
</tr>
<tr>
<td>Total</td>
<td>$6.8</td>
<td>$0.2</td>
<td>$—</td>
<td>$7.0</td>
</tr>
</tbody>
</table>

Gross unrealized losses for U.S. Government obligations were less than $0.1 million and $0 as of December 31, 2019 and March 31, 2020, respectively. Gross unrealized gains for U.S.
LEMONADE, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Investments (Continued)

Government obligations were $0.1 and $0.2 million as of December 31, 2019 and March 31, 2020, respectively. Gross unrealized gains and losses were recorded as a component of accumulated other comprehensive loss.

Contractual maturities of bonds

The following table presents the cost or amortized cost and estimated fair value of bonds as of March 31, 2020 by contractual maturity ($ in millions). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<table>
<thead>
<tr>
<th>Due in one year or less</th>
<th>Cost or Amortized Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 1.0</td>
<td>$ 0.9</td>
</tr>
<tr>
<td>Due after one year through five years</td>
<td>5.8</td>
<td>6.1</td>
</tr>
<tr>
<td>Due after five years through ten years</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Due after ten years</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>$ 6.6</td>
<td>$ 7.0</td>
</tr>
</tbody>
</table>

Net investment income

An analysis of net investment income follows ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended March 31, 2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on cash and cash equivalents</td>
<td>$ 0.4</td>
<td>$ 0.7</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Net investment income</td>
<td>$ 0.5</td>
<td>$ 0.9</td>
</tr>
</tbody>
</table>

Investment gains and losses

The Company had no pre-tax net realized capital gains for the three months ended March 31, 2020 nor 2019.
5. Investments (Continued)

Aging of gross unrealized losses

The following tables present the gross unrealized losses and related fair values for the Company's available-for-sale bond securities, grouped by duration of time in a continuous unrealized loss position, as of December 31, 2019 and March 31, 2020 ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>Less than 12 Months</th>
<th>12 Months or More</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair Value</td>
<td>Gross Unrealized Losses</td>
<td>Fair Value</td>
</tr>
<tr>
<td>December 31, 2019</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government obligations</td>
<td>$0.2</td>
<td>$2.2</td>
<td>$2.4</td>
</tr>
<tr>
<td>Total</td>
<td>$0.2</td>
<td>$2.2</td>
<td>$2.4</td>
</tr>
<tr>
<td>March 31, 2020</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government obligations</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Gross unrealized losses for U.S. Government Bonds were less than $0.1 million and $0 for twelve months or more as of December 31, 2019 and March 31, 2020, respectively.

The gross unrealized investment losses as of December 31, 2019 and March 31, 2020, respectively, were deemed to be temporary, based on, among other things:

- the duration of time and the relative magnitude to which fair values of these investments have been below their amortized cost was not indicative of an other than temporary impairment loss;
- the absence of compelling evidence that would cause the Company to call into question the financial condition or near-term prospects of the issuer of the investment; and
- the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

The Company may ultimately record a realized loss after having originally concluded that the decline in value was temporary. Risks and uncertainties are inherent in the methodology the Company uses to assess other-than-temporary declines in value. Risks and uncertainties could include, but are not limited to, incorrect assumptions about financial condition, liquidity or future prospects, inadequacy of any underlying collateral, and unfavorable changes in economic conditions or social trends, interest rates or credit ratings.

As of December 31, 2019, the Company held a total of 9 debt securities, 4 of which were in an unrealized loss position, continuously for 12 months or more. As of March 31, 2020, the Company held a total of 8 debt securities, none of which were in an unrealized loss position continuously for 12 months or more.
6. Fair Value Measurements

The following tables present the Company's fair value hierarchy for financial assets and liabilities measured as of December 31, 2019 and March 31, 2020 ($ in millions):

**Fair Value Measurements as of December 31, 2019**

<table>
<thead>
<tr>
<th>Assets:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Government obligations</td>
<td>$ —</td>
<td>$ 5.9</td>
<td>$ —</td>
<td>$ 5.9</td>
</tr>
<tr>
<td>Total</td>
<td>$ —</td>
<td>$ 5.9</td>
<td>$ —</td>
<td>$ 5.9</td>
</tr>
</tbody>
</table>

**Fair Value Measurements as of March 31, 2020**

<table>
<thead>
<tr>
<th>Assets:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Government obligations</td>
<td>$ —</td>
<td>$ 7.0</td>
<td>$ —</td>
<td>$ 7.0</td>
</tr>
<tr>
<td>Total</td>
<td>$ —</td>
<td>$ 7.0</td>
<td>$ —</td>
<td>$ 7.0</td>
</tr>
</tbody>
</table>

There were no transfers between Level 1, Level 2, or Level 3 during the three months ended March 31, 2019 and 2020.

F-61
7. Unpaid Loss and Loss Adjustment Expense ("LAE")

The following table presents the activity in the liability for unpaid loss and LAE in the three months ended March 31, 2019 and 2020 ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unpaid loss and LAE at beginning of period</td>
<td>$13.1</td>
<td>$28.2</td>
</tr>
<tr>
<td>Less: Reinsurance recoverable at beginning of period</td>
<td>11.3</td>
<td>18.5</td>
</tr>
<tr>
<td>Net unpaid loss and LAE at beginning of period</td>
<td>1.8</td>
<td>9.7</td>
</tr>
<tr>
<td>Add: Incurred loss and LAE, net of reinsurance, related to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year</td>
<td>6.7</td>
<td>14.7</td>
</tr>
<tr>
<td>Prior years</td>
<td>1.2</td>
<td>3.5</td>
</tr>
<tr>
<td>Total incurred</td>
<td>7.9</td>
<td>18.2</td>
</tr>
<tr>
<td>Deduct: Paid loss and LAE, net of reinsurance, related to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year</td>
<td>4.2</td>
<td>8.7</td>
</tr>
<tr>
<td>Prior years</td>
<td>3.0</td>
<td>10.3</td>
</tr>
<tr>
<td>Total paid</td>
<td>7.2</td>
<td>19.0</td>
</tr>
<tr>
<td>Unpaid loss and LAE, net of reinsurance recoverable, at end of period</td>
<td>2.5</td>
<td>8.9</td>
</tr>
<tr>
<td>Reinsurance recoverable at end of period</td>
<td>13.8</td>
<td>22.9</td>
</tr>
<tr>
<td>Unpaid loss and LAE, gross of reinsurance recoverable, at end of period</td>
<td>$16.3</td>
<td>$31.8</td>
</tr>
</tbody>
</table>

(1) Reinsurance recoverable in this table includes only ceded unpaid loss and LAE

Unpaid loss and LAE includes anticipated salvage and subrogation recoverable.

Considerable variability is inherent in the estimate of the reserve for losses and LAE. Although management believes the liability recorded for losses and LAE is adequate, the variability inherent in this estimate could result in changes to the ultimate liability, which may be material to stockholders' equity. Additional variability exists due to accident year allocations of ceded amounts in accordance with reinsurance agreements, which is not expected to result in any changes to the ultimate liability. The Company had gross loss and loss adjustment expense reserve deficiencies of $1.2 million and gross loss and loss adjustment expense reserve redundancies of $1.9 million developed in the three months ended March 31, 2019 and 2020, respectively. No additional premiums or returned premiums have been accrued as a result of prior year effects.
8. Other Liabilities and Accrued Expenses

Other liabilities and accrued expenses consists of the following ($ in millions):

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued advertising costs</td>
<td>$7.9</td>
<td>$4.6</td>
</tr>
<tr>
<td>Ceded premium payable</td>
<td>3.9</td>
<td>4.1</td>
</tr>
<tr>
<td>Accrued professional fees</td>
<td>2.8</td>
<td>3.5</td>
</tr>
<tr>
<td>Employee compensation payable</td>
<td>1.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Premium taxes payable</td>
<td>2.6</td>
<td>0.9</td>
</tr>
<tr>
<td>Indirect taxes payable</td>
<td>0.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Other payables</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>0.5</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total other liabilities and accrued expenses</strong></td>
<td><strong>$19.7</strong></td>
<td><strong>$16.0</strong></td>
</tr>
</tbody>
</table>

9. Convertible Preferred Stock

As of December 31, 2019 and March 31, 2020, the Company's certificate of incorporation, as amended and restated, authorized the Company to issue 31,557,107 shares of par value $0.00001 per share convertible preferred stock, respectively.

The holders of convertible preferred stock have liquidation rights in the event of a deemed liquidation that, in certain situations, are not solely within the control of the Company. Therefore, the convertible preferred stock is classified outside of stockholders' deficit on the consolidated balance sheet.

As of each balance sheet date, preferred stock consisted of the following ($ in millions, except for share amounts):

<table>
<thead>
<tr>
<th>Series</th>
<th>Authorized</th>
<th>Issued and Outstanding</th>
<th>Carrying Value</th>
<th>Liquidation Preference</th>
<th>Issuable Upon Conversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series Seed</td>
<td>7,905,140</td>
<td>7,905,140</td>
<td>12.9</td>
<td>13.0</td>
<td>7,905,140</td>
</tr>
<tr>
<td>Series A</td>
<td>3,328,774</td>
<td>3,328,774</td>
<td>14.0</td>
<td>13.6</td>
<td>3,328,774</td>
</tr>
<tr>
<td>Series B</td>
<td>4,511,417</td>
<td>4,511,417</td>
<td>34.1</td>
<td>34.1</td>
<td>4,511,417</td>
</tr>
<tr>
<td>Series C</td>
<td>8,703,846</td>
<td>8,703,846</td>
<td>119.8</td>
<td>120.1</td>
<td>8,703,846</td>
</tr>
<tr>
<td>Series D</td>
<td>7,107,930</td>
<td>7,107,930</td>
<td>299.4</td>
<td>300.0</td>
<td>7,107,930</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31,557,107</strong></td>
<td><strong>31,557,107</strong></td>
<td><strong>$480.2</strong></td>
<td><strong>$480.8</strong></td>
<td><strong>31,557,107</strong></td>
</tr>
</tbody>
</table>

F-63
9. Convertible Preferred Stock (Continued)

<table>
<thead>
<tr>
<th>Series</th>
<th>Authorized</th>
<th>Issued and Outstanding</th>
<th>Carrying Value</th>
<th>Liquidation Preference</th>
<th>Issuable Upon Conversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series Seed</td>
<td>7,905,140</td>
<td>7,905,140</td>
<td>$12.9</td>
<td>$13.0</td>
<td>7,905,140</td>
</tr>
<tr>
<td>Series A Preferred</td>
<td>3,328,774</td>
<td>3,328,774</td>
<td>14.0</td>
<td>13.6</td>
<td>3,328,774</td>
</tr>
<tr>
<td>Series B Preferred</td>
<td>4,511,417</td>
<td>4,511,417</td>
<td>34.1</td>
<td>34.1</td>
<td>4,511,417</td>
</tr>
<tr>
<td>Series C Preferred</td>
<td>8,703,846</td>
<td>8,703,846</td>
<td>119.8</td>
<td>120.1</td>
<td>8,703,846</td>
</tr>
<tr>
<td>Series D Preferred</td>
<td>7,107,930</td>
<td>7,107,930</td>
<td>299.4</td>
<td>300.0</td>
<td>7,107,930</td>
</tr>
<tr>
<td>Total</td>
<td>31,557,107</td>
<td>31,557,107</td>
<td>$480.2</td>
<td>$480.8</td>
<td>31,557,107</td>
</tr>
</tbody>
</table>

10. Stockholders' Equity

As of December 31, 2019 and March 31, 2020, the Company was authorized to issue shares 52,000,000 shares, respectively, of par value $0.00001 per share common stock. The voting, dividend and liquidation rights of the holders of the Company's common stock is subject to and qualified by the rights, powers and preferences of the holders of the preferred stock.

On February 18, 2020, the Company made a contribution of 500,000 newly issued shares of common stock to a related party, the Lemonade Foundation (see Note 14).

11. Stock-based Compensation

Share option plan

In July 2015, the Company adopted the 2015 incentive share option plan and amended and restated the plan on September 4, 2019 (the "2015 Plan"). The 2015 Plan has been amended and restated from time to time to increase the number of shares reserved for grant and to enable the grant of options to employees of the Company's subsidiaries. Under the 2015 plan, options to purchase Common stock of the Company may be granted to employees, officers, directors and consultants of the Company. Each option granted can be exercised for one share of Common stock of the Company. Options granted to employees generally vest over a period of no more than four years. The options expire 10 years from the date of grant.

Pursuant to the 2015 Plan, the Company had reserved 7,312,590 shares of Common stock for issuance. As of March 31, 2020, there were 2,009,990 shares of Common stock available for future grant.
Options granted to employees and non-employees

The fair value of each option granted during the three months ended March 31, 2019 and 2020 is estimated on the date of grant using the Black-Scholes model with the following assumptions (annualized percentages):

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended March 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Weighted average expected term (years)</td>
<td>6.1</td>
<td>6.1</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>2.5%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Volatility</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Expected volatility is based on companies at a comparable stage, as well as companies in the same or a similar industry. The expected term of options granted is based on the "Simplified" method, in accordance with ASC 718, "Compensation — Stock Compensation". The risk-free interest rate is based on observed interest rates appropriate for the term of the Company's employee stock options. The dividend yield assumption is based on the Company's historical and expected future dividend payouts and may be subject to substantial change in the future.

The following table summarizes activity under the 2015 Plan of stock options granted to employees ($ in millions, except for option and average amounts):

<table>
<thead>
<tr>
<th></th>
<th>Number of Options</th>
<th>Weighted-Average Exercise Price</th>
<th>Weighted-Average Remaining Contractual Term (Years)</th>
<th>Aggregate Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding as of December 31, 2019</td>
<td>4,048,802</td>
<td>$13.27</td>
<td>8.8</td>
<td>$42.2</td>
</tr>
<tr>
<td>Granted</td>
<td>413,530</td>
<td>24.36</td>
<td>9.8</td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(54,374)</td>
<td>0.79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cancelled</td>
<td>(58,688)</td>
<td>19.08</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding as of March 31, 2020</td>
<td>4,349,270</td>
<td>$14.40</td>
<td>8.7</td>
<td>$43.4</td>
</tr>
<tr>
<td>Options exercisable as of March 31, 2020</td>
<td>1,059,390</td>
<td>$3.79</td>
<td>7.4</td>
<td>$21.8</td>
</tr>
<tr>
<td>Options unvested as of March 31, 2020</td>
<td>3,289,880</td>
<td>$17.81</td>
<td>9.1</td>
<td>$21.6</td>
</tr>
</tbody>
</table>

Total stock-based compensation expenses resulting from stock options granted to employees included in the consolidated statements of operations and comprehensive loss for the three months ended March 31, 2019 and 2020 were $0.4 million and $2.2 million, respectively.

The unrecognized expense on options granted to employees outstanding at March 31, 2020 was $28.7 million, with a remaining weighted average vesting period of 1.5 years.
11. Stock-based Compensation (Continued)

**Stock-based compensation expense**

Stock-based compensation expense was classified in the consolidated statements of operations and comprehensive loss as follows ($ in millions):

<table>
<thead>
<tr>
<th>Three Months Ended March 31</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other insurance expense</td>
<td>$0.1</td>
<td>$0.2</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>0.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Technology development</td>
<td>—</td>
<td>0.6</td>
</tr>
<tr>
<td>General and administrative</td>
<td>0.2</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Total stock-based compensation expense</strong></td>
<td><strong>$0.4</strong></td>
<td><strong>$2.2</strong></td>
</tr>
</tbody>
</table>

In 2016 and 2017, the Company entered into stock purchase agreements with two executive employees where in lieu of cash payment for the stock, promissory notes were issued totaling $1.5 million and bearing a weighted average interest of 1.9% per annum, payable to the Company. These notes are secured by the underlying stock purchased and such unvested stock can be repurchased by the Company upon termination of each executive’s employment at the original issuance price.

Because the Company only has partial recourse under the promissory notes, the Company deemed the purchase of the stock to be non-substantive. As such, the note receivable is not reflected in the consolidated financial statements and the related stock transaction will be recorded at the time the note receivable is settled in cash. In accordance with ASC 718, the purchases were treated as exercises of stock options with the fair value recognized over the requisite service period through a charge to compensation cost. The maturity date of the promissory notes reflects the legal term of the stock option for purposes of valuing the award. Total stock-based compensation expenses resulting from stock options granted to the executives in the consolidated statements of operations and comprehensive loss for the three months ended March 31, 2019 and 2020 was less than $0.1 million in each period.

The unrecognized expense on options granted to these executives outstanding at March 31, 2020 was $0.2 million, with a remaining weighted average vesting period of 1.1 years. As of December 31, 2019 and March 31, 2020, 513,537 shares were restricted under the stock purchase agreements.

In June 2020, the Company received $1.3 million in cash from the two executives in full settlement of the outstanding promissory notes, including principal and accrued and unpaid interest (Note 17).

12. Income Taxes

**Effective tax rates**

The consolidated effective tax rate for the three months ended March 31, 2019 and 2020, was (0.5%) and (0.8%), respectively. The change in effective tax rate over the two periods was
12. Income Taxes (Continued)

predominantly reflective of the change in profit before tax of the Israel entity. The Company believes that as of March 31, 2020, it had no material uncertain tax positions. Interest and penalties related to unrecognized tax expenses (benefits) are recognized in income tax expense, when applicable.

There were no material liabilities for interest and penalties accrued as of March 31, 2020.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law in the U.S. to provide certain relief as a result of the COVID-19 pandemic. In addition, governments around the world have enacted or implemented various forms of tax relief measures in response to the economic conditions in the wake of COVID-19. As of March 31, 2020, the Company has determined that neither the CARES Act nor changes to income tax laws or regulations in other jurisdictions had a significant impact on our effective tax rate.

13. Net Loss per Share and Unaudited Pro Forma Net Loss per Share

Net loss per share

Basic and diluted net loss per share attributable to common stockholders was calculated as follows:

<table>
<thead>
<tr>
<th>Numerator:</th>
<th>Three Months Ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Net loss attributable to common stockholders ($ in millions)</td>
<td>$(21.6)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Denominator:</th>
<th>Three Months Ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average common shares outstanding — basic and diluted</td>
<td>10,983,858</td>
</tr>
</tbody>
</table>

Net loss per share attributable to common stockholders — basic and diluted | $(1.97) | $(3.16) |

The Company's potentially dilutive securities, which include stock options, preferred stock and warrants to purchase shares of preferred stock, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The Company excluded the following potential common shares, presented based on amounts outstanding at each period end,
from the computation of diluted net loss per share attributable to common stockholders for the periods indicated because including them would have had an anti-dilutive effect:

In addition to the potentially dilutive securities noted above, in 2016 and 2017 the Company entered into stock purchase agreements with executive employees where in lieu of cash payment for the stock, promissory notes were issued (see Note 11). The Company determined the purchase of the stock to be non-substantive, and as such, the shares subject to the promissory notes will not be deemed outstanding until such time as the promissory notes have been repaid. Accordingly, the Company has excluded these restricted shares from the table above and the calculation of basic and diluted net loss per share for the three months ended March 31, 2019 and 2020.

Unaudited pro forma net loss per share attributable to common stockholders

The unaudited pro forma basic and diluted net loss per share attributable to common stockholders for the three months ended March 31, 2020 has been prepared to give effect to adjustments arising upon the completion of the proposed IPO. The unaudited pro forma net loss attributable to common stockholders used in the calculation of unaudited pro forma basic and diluted net loss per share attributable to common stockholders gives effect, upon the proposed IPO, to (i) the conversion of shares of preferred stock into shares of common stock as if the proposed IPO had occurred on the later of January 1, 2020 or the issuance date of the preferred stock, and (ii) the Settlement of Executive Promissory Notes as if it had occurred on January 1, 2019.

<table>
<thead>
<tr>
<th></th>
<th>As of March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Options to purchase common stock</td>
<td>2,258,625</td>
</tr>
<tr>
<td>Convertible preferred stock (as converted to common stock)</td>
<td>24,449,177</td>
</tr>
<tr>
<td></td>
<td>26,707,802</td>
</tr>
</tbody>
</table>
13. Net Loss per Share and Unaudited Pro Forma Net Loss per Share (Continued)

Unaudited pro forma basic and diluted net loss per share attributable to common stockholders was calculated as follows:

<table>
<thead>
<tr>
<th>Three Months Ended March 31, 2020 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Numerator:</strong></td>
</tr>
<tr>
<td>Pro forma net loss attributable to common stockholders ($ in millions)</td>
</tr>
<tr>
<td><strong>Denominator:</strong></td>
</tr>
<tr>
<td>Weighted average common shares outstanding — basic and diluted</td>
</tr>
<tr>
<td>Pro forma adjustment to reflect automatic conversion of convertible preferred stock into common stock upon the closing of the proposed IPO</td>
</tr>
<tr>
<td>Pro forma adjustment to reflect common shares outstanding upon Settlement of Executive Promissory Notes</td>
</tr>
<tr>
<td>Pro forma weighted average common shares outstanding — basic and diluted</td>
</tr>
<tr>
<td>Pro forma net loss per share attributable to common stockholders — basic and diluted</td>
</tr>
</tbody>
</table>

14. Related Party Transactions

The Company uses the services of a travel agency owned by a relative of one of the Company’s key stockholders. The Company incurred travel related expenses of less than $0.1 million in each of the three months ended March 31, 2019 and 2020, in connection with these services.

The Company has leased office space in the United States and The Netherlands from an affiliate. Rental expense recorded for each of the three months ended March 31, 2019 and 2020 was less than $0.1 million.

The Company’s Chief Executive Officer and the Company’s President and Chief Operating Officer, both of whom are also members of the Company’s board of directors, are the two sole members of the board of directors of the Lemonade Foundation. During the three months ended March 31, 2020, the Company made a contribution to the Lemonade Foundation of 500,000 shares of common stock with a fair market value of $24.36 per share (see Note 10). The Company recorded $12.2 million of non-cash expense within general and administrative expense in connection with this contribution. As of March 31, 2020, the Company had a receivable of $0.1 million from the Lemonade Foundation in connection with certain expenses paid for by the Company.
15. Commitments and Contingent Liabilities

Litigation

The Company is occasionally a party to routine claims or litigation incidental to its business. The Company does not believe that it is a party to any pending legal proceeding that is likely to have a material adverse effect on its business, financial condition or results of operations.

Lease commitments

The Company and its subsidiaries lease their facilities under various operating lease agreements. The Company’s headquarters in New York is under a lease that expires in November 2022. The Company’s Israel based operations occupy offices with lease expiration dates that extend through January 2023. On March 18, 2019, the Company entered into a lease agreement to lease office space in Scottsdale, Arizona that expires in November 2024.

Aggregate minimum rental commitments under non-cancelable leases at March 31, 2020 are as follows ($ in millions):

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 (remaining nine months)</td>
<td>2.6</td>
</tr>
<tr>
<td>2021</td>
<td>3.3</td>
</tr>
<tr>
<td>2022</td>
<td>2.9</td>
</tr>
<tr>
<td>2023</td>
<td>0.3</td>
</tr>
<tr>
<td>2024 and thereafter</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9.4</strong></td>
</tr>
</tbody>
</table>

Expenses for lease of facilities for the three months ended March 31, 2019 and 2020 were approximately $0.5 million and $0.9 million, respectively.

Charges and guarantees

As of December 31, 2019 and March 31, 2020, the Company provided guarantees in an aggregate amount of $0.6 million with respect to office leases.
16. Geographical Breakdown of Gross Written Premium

The Company has a single reportable segment and other insurance coverage under a single line of business, homeowners multi-peril. Gross written premium by jurisdiction are as follows ($ in millions):

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Amount</th>
<th>% of GWP</th>
<th>Amount</th>
<th>% of GWP</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$4.9</td>
<td>25.4%</td>
<td>$9.4</td>
<td>24.7%</td>
</tr>
<tr>
<td>Texas</td>
<td>5.3</td>
<td>27.5%</td>
<td>8.8</td>
<td>23.1%</td>
</tr>
<tr>
<td>New York</td>
<td>2.9</td>
<td>15.0%</td>
<td>4.9</td>
<td>12.9%</td>
</tr>
<tr>
<td>Georgia</td>
<td>1.0</td>
<td>5.2%</td>
<td>2.1</td>
<td>5.5%</td>
</tr>
<tr>
<td>Illinois</td>
<td>0.8</td>
<td>4.1%</td>
<td>1.6</td>
<td>4.2%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>0.9</td>
<td>4.7%</td>
<td>1.5</td>
<td>3.9%</td>
</tr>
<tr>
<td>Michigan</td>
<td>0.5</td>
<td>2.6%</td>
<td>1.0</td>
<td>2.6%</td>
</tr>
<tr>
<td>Ohio</td>
<td>0.6</td>
<td>3.1%</td>
<td>1.0</td>
<td>2.6%</td>
</tr>
<tr>
<td>Arizona</td>
<td>0.4</td>
<td>2.1%</td>
<td>0.8</td>
<td>2.1%</td>
</tr>
<tr>
<td>Oregon</td>
<td>0.2</td>
<td>1.0%</td>
<td>0.8</td>
<td>2.1%</td>
</tr>
<tr>
<td>All other</td>
<td>1.8</td>
<td>9.3%</td>
<td>6.2</td>
<td>16.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$19.3</td>
<td>100.0%</td>
<td>$38.1</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

17. Subsequent Events

In June 2020, the Company received $1.3 million in cash from two executives in full settlement of outstanding promissory notes in connection with stock purchase agreements (Note 11).
We’re changing insurance.
Starting with everything.
PART II.
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth all the costs and expenses, other than underwriting discounts and commissions, payable in connection with the sale of the shares of common stock being registered hereby. Except as otherwise noted, the registrant will pay all of the costs and expenses set forth in the following table. All amounts shown below are estimates, except the SEC registration fee, the FINRA filing fee and the stock exchange listing fee:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEC registration fee</td>
<td>$ 12,980</td>
</tr>
<tr>
<td>FINRA filing fee</td>
<td>15,500</td>
</tr>
<tr>
<td>NYSE listing fee</td>
<td></td>
</tr>
<tr>
<td>Printing and engraving expenses</td>
<td></td>
</tr>
<tr>
<td>Legal fees and expenses</td>
<td></td>
</tr>
<tr>
<td>Accounting fees and expenses</td>
<td></td>
</tr>
<tr>
<td>Blue Sky fees and expenses</td>
<td></td>
</tr>
<tr>
<td>Transfer agent and registrar fees</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$</strong></td>
</tr>
</tbody>
</table>

* To be filed by amendment

Item 14. Indemnification of Directors and Officers

Lemonade, Inc. is incorporated under the laws of the state of Delaware. Section 102 of the Delaware General Corporation Law, as amended (the "DGCL"), allows a corporation to eliminate the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except in cases where the director breached his or her duty of loyalty to the corporation or its stockholders, failed to act in good faith, engaged in intentional misconduct or a knowing violation of the law, willfully or negligently authorized the unlawful payment of a dividend or approved an unlawful stock redemption or repurchase or obtained an improper personal benefit. The registrant's amended and restated certificate of incorporation contains a provision which eliminates directors' personal liability as set forth above.

The registrant's amended and restated certificate of incorporation and amended and restated bylaws provide in effect that the registrant shall indemnify its directors and officers to the extent permitted by the Delaware law. Section 145 of the DGCL provides that a Delaware corporation has the power to indemnify its directors, officers, employees, and agents in certain circumstances.

Subsection (a) of Section 145 of the DGCL empowers a corporation to indemnify any director, officer, employee or agent, or former director, officer, employee or agent, who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding, provided that such director, officer, employee or agent acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, provided that such director, officer, employee or agent had no reasonable cause to believe that his or her conduct was unlawful.
Subsection (b) of Section 145 of the DGCL empowers a corporation to indemnify any director, officer, employee or agent, or former director, officer, employee or agent, who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit provided that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine that despite the adjudication of liability such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Section 145 further provides that to the extent that a present or former director or officer of a corporation has been successful in the defense of any action, suit or proceeding referred to in subsections (a) and (b) of Section 145 or in the defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith; that indemnification provided by Section 145 shall not be deemed exclusive of any other rights to which the party seeking indemnification may be entitled; that the corporation is empowered to purchase and maintain insurance on behalf of a director, officer, employee or agent of the corporation against any liability asserted against him or her or incurred by him or her in any such capacity or arising out of his or her status as such whether or not the corporation would have the power to indemnify him or her against such liabilities under Section 145; and that, unless indemnification is ordered by a court, the determination that indemnification under subsections (a) and (b) of Section 145 is proper because the director, officer, employee or agent has met the applicable standard of conduct under such subsections shall be made by (1) a majority vote of the directors who are not parties to such action, suit or proceeding (or a committee of such directors designated by majority vote of such directors), even though less than a quorum, or (2) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (3) by the stockholders.

The right to indemnification conferred by the registrant's amended and restated certificate of incorporation and amended and restated bylaws also includes the right to be paid the expenses (including attorneys' fees) incurred by a present or former director or officer in defending any civil, criminal, administrative, or investigative action, suit, or proceeding in advance of its final disposition, provided, however, that if Delaware law requires, an advancement of expenses incurred by a director or officer in his or her capacity as a director or officer shall be made only upon delivery to the registrant of an undertaking by or on behalf of such director or officer to repay all amounts so advanced if it is ultimately determined that such person is not entitled to be indemnified for such expenses under the registrant's amended and restated certificate of incorporation, amended and restated bylaws, or otherwise.

In addition, the registrant intends to enter into indemnification agreements with each of its directors and certain of its officers, a form of which will be filed as an exhibit to a pre-effective amendment to this Registration Statement. These agreements require the registrant to indemnify such persons to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to the registrant, and to advance expenses incurred as a result of any action, suit, or proceeding against them as to which they could be indemnified.

The registrant has in effect insurance policies for general officers' and directors' liability insurance covering all of its officers and directors.
Recent Sales of Unregistered Securities

In the preceding three years, the registrant has sold and issued the following securities that were not registered under the Securities Act:

Preferred Stock Issuances

In 2018, we sold an aggregate of 8,703,846 shares of our Series C Preferred Stock to 12 accredited investors at a purchase price of $13.80 per share, for an aggregate purchase price of $120.1 million.

In 2019, we entered into the Series D SPA for the sale of up to 7,107,930 shares of our Series D Preferred Stock with seven accredited investors at a purchase price of $42.21 per share, for an aggregate purchase price of $300.0 million. The initial closing of the Series D funding round was completed on June 26, 2019. The second closing of the Series D funding round was completed on September 9, 2019.

Options Issuances

In the three years preceding the date of this registration statement, we granted to our directors, officers, employees options to purchase an aggregate of shares of our common stock under the 2015 Plan at exercise prices ranging from proximately $ to $ per share.

The issuances of the securities in the transactions described above were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act and/or Rules 506 and 701 promulgated thereunder. The securities were issued directly by the registrant and did not involve a public offering or general solicitation. The recipients of such securities represented their intentions to acquire the securities for investment purposes only and not with a view to, or for sale in connection with, any distribution thereof.

Exhibits and Financial Statement Schedules

The exhibits filed herewith are set forth on the Index to Exhibits filed as a part of this Registration Statement beginning on page II-5 hereof.

Undertakings

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.
The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) For the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

   (i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424 under the Securities Act;

   (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

   (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

   (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.
<table>
<thead>
<tr>
<th>Exhibit No.</th>
<th>Exhibit Description</th>
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<tbody>
<tr>
<td>1.1*</td>
<td>Form of Underwriting Agreement.</td>
</tr>
<tr>
<td>3.1</td>
<td>Amended and Restated Certificate of Incorporation of Lemonade, Inc., as amended to date and as currently in effect.</td>
</tr>
<tr>
<td>3.2*</td>
<td>Form of Restated Certificate of Incorporation of Lemonade, Inc., to be effective immediately prior to the completion of this offering.</td>
</tr>
<tr>
<td>3.3</td>
<td>Amended and Restated Bylaws of Lemonade, Inc., as amended to date and as currently in effect.</td>
</tr>
<tr>
<td>3.4*</td>
<td>Form of Restated Bylaws of Lemonade, Inc., to be effective immediately prior to the completion of this offering.</td>
</tr>
<tr>
<td>4.1*</td>
<td>Specimen Common Stock Certificate of Lemonade, Inc.</td>
</tr>
<tr>
<td>5.1*</td>
<td>Opinion of Latham &amp; Watkins LLP.</td>
</tr>
<tr>
<td>10.2</td>
<td>Form of Indemnification Agreement between Lemonade, Inc. and each of its directors and executive officers.</td>
</tr>
<tr>
<td>10.3*+</td>
<td>Employment Agreement, by and between Daniel Schreiber and Lemonade Ltd., dated July 1, 2015; as amended on July 29, 2015.</td>
</tr>
<tr>
<td>10.4*+</td>
<td>Employment Agreement, by and between Shai Wininger and Lemonade Ltd., dated July 1, 2015; as amended on July 29, 2015.</td>
</tr>
<tr>
<td>10.8*+</td>
<td>Amended and Restated 2015 Incentive Share Option Plan.</td>
</tr>
<tr>
<td>10.9*+</td>
<td>Lemonade, Inc. 2020 Incentive Award Plan.</td>
</tr>
<tr>
<td>10.10</td>
<td>Stock Purchase Agreement, by and between Tim Bixby and Lemonade, Inc., dated June 1, 2017.</td>
</tr>
<tr>
<td>10.13</td>
<td>AWS Customer Agreement, by and between Amazon Web Services, Inc. and Lemonade, Inc.</td>
</tr>
<tr>
<td>10.15*+</td>
<td>Non-Employee Director Compensation Policy.</td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
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</tr>
<tr>
<td>10.16*+</td>
<td>Lemonade, Inc. 2020 Employee Stock Purchase Plan</td>
</tr>
<tr>
<td>21.1</td>
<td>List of Subsidiaries of Lemonade, Inc.</td>
</tr>
<tr>
<td>23.1</td>
<td>Consent of Ernst &amp; Young LLP.</td>
</tr>
<tr>
<td>23.2*</td>
<td>Consent of Latham &amp; Watkins LLP (included in Exhibit 5.1).</td>
</tr>
<tr>
<td>24.1</td>
<td>Power of Attorney (included in signature pages hereto).</td>
</tr>
</tbody>
</table>

* Denotes management contract or compensatory plan or arrangement.
+ To be filed by amendment.
SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, New York, on this 8th day of June, 2020.

Lemonade, Inc.

By: /s/ Daniel Schreiber

Name: Daniel Schreiber
Title: Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors and officers of Lemonade, Inc. constitutes and appoints each of Daniel Schreiber and Tim Bixby, or any of them, each acting alone, his or her true and lawful attorney-in-fact and agent, with full powers of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this registration statement and any subsequent registration statement filed pursuant to Rule 462 under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, and hereby ratifying and confirming all that either of the said attorneys-in-fact and agents, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities and on the dates indicated.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/ Daniel Schreiber</td>
<td>Chief Executive Officer (Principal Executive Officer) and Director</td>
<td>June 8, 2020</td>
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<tr>
<td>Daniel Schreiber</td>
<td></td>
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<tr>
<td>/s/ Shai Wininger</td>
<td>President, Chief Operating Officer and Director</td>
<td>June 8, 2020</td>
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<tr>
<td>Shai Wininger</td>
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<tr>
<td>/s/ Tim Bixby</td>
<td>Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)</td>
<td>June 8, 2020</td>
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<tr>
<td>Tim Bixby</td>
<td></td>
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<tr>
<td>/s/ Joel Cutler</td>
<td>Director</td>
<td>June 8, 2020</td>
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<tr>
<td>Joel Cutler</td>
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<tr>
<td>Signature</td>
<td>Title</td>
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<tr>
<td>/s/ Michael Eisenberg</td>
<td>Director</td>
<td>June 8, 2020</td>
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<td>Michael Eisenberg</td>
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<tr>
<td>/s/ G. Thompson Hutton</td>
<td>Director</td>
<td>June 8, 2020</td>
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<td>G. Thompson Hutton</td>
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<tr>
<td>/s/ Mwashuma Nyatta</td>
<td>Director</td>
<td>June 8, 2020</td>
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<tr>
<td>/s/ Haim Sadger</td>
<td>Director</td>
<td>June 8, 2020</td>
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<td>Haim Sadger</td>
<td></td>
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<tr>
<td>/s/ Caryn Seidman-Becker</td>
<td>Director</td>
<td>June 8, 2020</td>
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<tr>
<td>Caryn Seidman-Becker</td>
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</tbody>
</table>
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
LEMONADE, INC.

A PUBLIC BENEFIT CORPORATION

(Pursuant to Sections 242 and 245 of the
General Corporation Law of the State of Delaware)

LEMONADE, INC., a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the “General Corporation Law”),

DOES HEREBY CERTIFY:

FIRST: That the name of this corporation is Lemonade, Inc. and that this corporation was originally incorporated pursuant to the General Corporation Law on June 17, 2015 under the name Lemonade Group, Inc. A Certificate of Amendment was filed on October 6, 2015 that changed the name of this corporation to Lemonade, Inc.

SECOND: That the Board of Directors duly adopted resolutions proposing to amend and restate the Certificate of Incorporation of this corporation, declaring said amendment and restatement to be advisable and in the best interests of this corporation and its stockholders, and authorizing the appropriate officers of this corporation to solicit the consent of the stockholders therefor, which resolution setting forth the proposed amendment and restatement is as follows:

RESOLVED, that the certificate of incorporation of this corporation be amended and restated in its entirety as follows:

ARTICLE I

The name of this corporation is Lemonade, Inc.

ARTICLE II

The address of the registered office of this corporation in the State of Delaware is 1313 N. Market St. Suite 5100, City of Wilmington, County of New Castle, Delaware, DE 19801. The name of its registered agent at that address is PHS Corporate Services, Inc.

ARTICLE III

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the Delaware General Corporation Law.

Benefit Corporation. This corporation shall be a public benefit corporation as contemplated by subchapter XV of the Delaware General Corporation Law (the “DGCL”), or any successor provisions, that it is intended to operate in a responsible and sustainable manner and to
produce a public benefit or benefits, and is to be managed in a manner that balances the stockholders pecuniary interests, the best interests of those materially affected by this corporation’s conduct and the public benefit or benefits identified in this certificate of incorporation. Accordingly, it is intended that the business and operations of this corporation create a material positive impact on society and the environment, taken as a whole. If the DGCL is amended to alter or further define the management and operation of public benefit corporations, then this corporation shall be managed and operated in accordance with the DGCL, as so amended.

Purposes. This corporation’s public benefit purpose is to harness novel business models, technologies and private-nonprofit partnerships to deliver insurance products where charitable giving is a core feature, for the benefit of communities and their common causes. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law.

ARTICLE IV

A. Authorization of Stock. This corporation is authorized to issue two classes of stock to be designated, respectively, common stock and preferred stock.

Upon the filing of this Amended and Restated Certificate with the Secretary of State of Delaware, the total number of shares that this corporation is authorized to issue is 83,557,107. The total number of shares of common stock authorized to be issued is 52,000,000, par value $0.00001 per share (the “Common Stock”). The total number of shares of preferred stock authorized to be issued is 31,557,107, par value $0.00001 per share (the “Preferred Stock”), of which 7,107,930 are designated as “Series D Preferred Stock”, 8,703,846 shares are designated as “Series C Preferred Stock”, 4,511,417 shares are designated as “Series B Preferred Stock”, 3,328,774 shares are designated as “Series A Preferred Stock”, and 7,905,140 shares are designated as “Series Seed Preferred Stock”.

B. Rights, Preferences and Restrictions of Preferred Stock. The rights, preferences, privileges and restrictions granted to and imposed on the Preferred Stock are as set forth below in this Article IV(B).


   (a) The holders of shares of Series Seed Preferred Stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock shall be entitled to receive dividends, on a pari passu basis, out of any assets legally available therefor, prior and in preference to any declaration or payment of any dividend (payable other than in Common Stock or other securities and rights convertible into or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock of this corporation) on the Common Stock of this corporation, at the applicable Dividend Rate (as defined below), payable when, as and if declared by the Board of Directors. Such dividends shall not be cumulative. This corporation shall not declare, pay or set aside any dividends on shares of any series of Preferred Stock unless the holders of the other series of Preferred Stock shall simultaneously receive such dividend to which they are entitled hereunder on a pro rata basis. The holders of the outstanding Preferred Stock can waive any dividend preference that such holders shall be entitled to receive.
under this Section 1 upon the affirmative vote or written consent of the holders of a Preferred Majority (as defined below), provided that, any such waiver shall apply to all outstanding Preferred Stock. For purposes of this subsection 1(a), “Dividend Rate” shall mean $0.13156 per annum for each share of Series Seed Preferred Stock (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like), $0.32688 per annum for each share of Series A Preferred Stock, $0.60469 per annum for each share of Series B Preferred Stock, $1.10425 per annum for each share of Series C Preferred Stock, and $3.376511 per annum for each share of Series D Preferred Stock (each as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like).

(b) After payment of such dividends, any additional dividends or distributions shall be distributed among all holders of Common Stock and Preferred Stock in proportion to the number of shares of Common Stock that would be held by each such holder if all shares of Preferred Stock were converted to Common Stock at the then effective conversion rate.

2. Liquidation Preference.

(a) In the event of any Liquidation Event (as defined below), either voluntary or involuntary, the holders of shares of Series D Preferred Stock shall be entitled to receive, out of the proceeds or assets of this corporation available for distribution to its stockholders (the “Proceeds”), prior and in preference to any distribution of any portion of the Proceeds of such Liquidation Event to the holders of Series C Preferred Stock, Series B Preferred Stock, Series A Preferred Stock, Series Seed Preferred Stock or Common Stock by reason of their ownership thereof, an amount per share equal to the sum of the Series D Preferred Stock Original Issue Price (as defined below) for the Series D Preferred Stock, plus declared but unpaid dividends on such share. If, upon the occurrence of such event, the Proceeds thus distributed among the holders of the Series D Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then the entire Proceeds legally available for distribution shall be distributed ratably among the holders of the Series D Preferred Stock in proportion to the full preferential amount that each such holder is otherwise entitled to receive under this subsection (a) based on the shares of Series D Preferred Stock held by such holder.

(b) Upon completion of the distribution required in subsection (a) of this Section 2, if any Proceeds remain available for distribution to stockholders, the holders of shares of Series C Preferred Stock shall be entitled to receive, out of the Proceeds, prior and in preference to any distribution of any portion of the Proceeds of such Liquidation Event to the holders of Series B Preferred Stock, Series A Preferred Stock, Series Seed Preferred Stock or Common Stock by reason of their ownership thereof, an amount per share equal to the sum of the Series C Preferred Stock Original Issue Price (as defined below) for the Series C Preferred Stock, plus declared but unpaid dividends on such share. If, upon the occurrence of such event, the Proceeds thus distributed among the holders of the Series C Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then the entire Proceeds legally available for distribution shall be distributed ratably among the holders of the Series C Preferred Stock in proportion to the full preferential amount that each such holder is otherwise entitled to receive under this subsection (b) based on the shares of Series C Preferred Stock held by such holder.
Upon the completion of the distribution required in subsection (a) and (b) of this Section 2, if any Proceeds remain available for distribution to stockholders, the holders of shares of Series Seed Preferred Stock, Series A Preferred Stock and Series B Preferred Stock shall be entitled to receive, on a pari passu basis, out of the Proceeds, prior and in preference to any distribution of the Proceeds of such Liquidation Event to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the sum of the applicable Original Issue Price (as defined below) for the Series Seed Preferred Stock, Series A Preferred Stock and Series B Preferred Stock, as applicable, plus declared but unpaid dividends on such share. If, upon the occurrence of such event, the Proceeds thus distributed among the holders of the Series Seed Preferred Stock, Series A Preferred Stock and Series B Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then the entire Proceeds legally available for distribution shall be distributed ratably among the holders of the Series Seed Preferred Stock, Series A Preferred Stock and Series B Preferred Stock in proportion and on a pari passu basis to the full preferential amount that each such holder is otherwise entitled to receive under this subsection (c) based on the shares of Series Seed Preferred Stock, Series A Preferred Stock and Series B Preferred Stock held by such holder. For purposes of this Amended and Restated Certificate of Incorporation, “Original Issue Price” shall mean $1.6445 per share for each share of the Series Seed Preferred Stock, $4.08603 per share for each share of the Series A Preferred Stock, $7.558601 per share for each share of the Series B Preferred Stock, $13.803070 per share for each share of the Series C Preferred Stock, and $42.20639 per share for each share of the Series D Preferred Stock (each as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like).

Upon completion of the distribution required by subsections (a), (b) and (c) of this Section 2, all of the remaining Proceeds available for distribution to stockholders shall be distributed among the holders of Common Stock pro rata based on the number of shares of Common Stock held by each.

Notwithstanding the above, for purposes of determining the amount each holder of shares of Preferred Stock is entitled to receive with respect to a Liquidation Event, each such holder of Preferred Stock shall be deemed to have converted (regardless of whether such holder actually converted) such holder’s shares of Preferred Stock into shares of Common Stock immediately prior to the Liquidation Event if, as a result of an actual conversion, such holder would receive, in the aggregate, an amount greater than the amount that would be distributed to such holder if such holder did not convert shares of Preferred Stock into shares of Common Stock. If any such holder shall be deemed to have converted shares of Preferred Stock into Common Stock pursuant to this paragraph, then such holder shall not be entitled to receive any distribution that would otherwise be made to holders of Preferred Stock that have not converted (or have not been deemed to have converted) into shares of Common Stock.

For purposes of this Section 2, a “Liquidation Event” shall mean (A) the closing of the sale, transfer or other disposition of all or substantially all of this corporation’s assets, (B) the consummation of an acquisition of this corporation or the merger or consolidation of this corporation with or into another entity (except a merger or consolidation in which the holders of capital stock of this corporation immediately prior to such merger or consolidation continue to hold at least 50% of the voting power of the capital stock of this corporation or the surviving or acquiring entity), (C) the closing of the transfer (whether by merger,
consolidation or otherwise), in one transaction or a series of related transactions, to a person or group of affiliated persons (other than an underwriter of this corporation’s securities), of this corporation’s securities if, after such closing, such person or group of affiliated persons would hold 50% or more of the outstanding voting stock of this corporation (or the surviving or acquiring entity), (D) a liquidation, dissolution or winding up of this corporation or (E) the grant of an exclusive license, whether by transfer, sale, lease or any other disposition, over all or substantially all of this corporation’s assets; provided, however, that a transaction shall not constitute a Liquidation Event if its sole purpose is to change the state of this corporation’s incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held this corporation’s securities immediately prior to such transaction. Notwithstanding the prior sentence, the sale of shares of Preferred Stock in a financing transaction for bona fide capital raising purposes shall not be deemed a “Liquidation Event” The treatment of any particular transaction or series of related transactions as a Liquidation Event may be waived by the vote or written consent of the holders of a majority of the outstanding Preferred Stock (voting together as a single class and not as separate series and on an as converted basis) (the “Preferred Majority”), provided that, (A) if the holders of shares of Series B Preferred Stock would receive in such transaction or series of transactions less than one times (1x) the Original Issue Price of the Series B Preferred Stock in respect of each share of Series B Preferred Stock as result of such waiver then the vote of the holders of a majority of the outstanding Series B Preferred Stock (the “Series B Majority”) shall also be required, (B) if the holders of shares of Series C Preferred Stock would receive in such transaction or series of transactions less than one times (1x) the Original Issue Price of the Series C Preferred Stock in respect of each share of Series C Preferred Stock as result of such waiver then the vote of the holders of a majority of the outstanding Series C Preferred Stock (the “Series C Majority”) shall also be required, and (C) if the holders of shares of Series D Preferred Stock would receive in such transaction or series of transactions less than one times (1x) the Original Issue Price of the Series D Preferred Stock in respect of each share of Series D Preferred Stock as result of such waiver then the vote of the holders of a majority of the outstanding Series D Preferred Stock (the “Series D Majority”) shall also be required.

(ii) In any Liquidation Event, if Proceeds received by this corporation or its stockholders is other than cash, its value will be deemed its fair market value. Any securities shall be valued as follows:

(A) Securities not subject to investment letter or other similar restrictions on free marketability covered by (B) below:

(1) If traded on a securities exchange, the value shall be deemed to be the average of the closing prices of the securities on such exchange over the twenty (20) trading-day period ending three (3) trading days prior to the closing of the Liquidation Event;

(2) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) over the twenty (20) trading-day period ending three (3) trading days prior to the closing of the Liquidation Event; and
If there is no active public market, the value shall be the fair market value thereof, as mutually determined in good faith by this corporation and the holders of a Preferred Majority.

(B) The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a stockholder’s status as an affiliate or former affiliate) shall be to make an appropriate discount from the market value determined as above in (A) (1), (2) or (3) to reflect the approximate fair market value thereof, as mutually determined in good faith by this corporation and the holders of a Preferred Majority.

(C) The foregoing methods for valuing non-cash consideration to be distributed in connection with a Liquidation Event shall, with the appropriate approval of the definitive agreements governing such Liquidation Event by the stockholders under the General Corporation Law and Section 6 of this Article IV(B), be superseded by the determination of such value set forth in the definitive agreements governing such Liquidation Event.

(iii) In the event the requirements of this Section 2 are not complied with, this corporation shall forthwith either:

(A) cause the closing of such Liquidation Event to be postponed until such time as the requirements of this Section 2 have been complied with; or

(B) cancel such transaction, in which event the rights, preferences and privileges of the holders of the Preferred Stock shall revert to and be the same as such rights, preferences and privileges existing immediately prior to the date of the first notice referred to in subsection 2(f)(iv) hereof.

(iv) This corporation shall give each holder of record of Preferred Stock written notice of such impending Liquidation Event not later than twenty (20) days prior to the stockholders’ meeting called to approve such transaction, or twenty (20) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of this Section 2, and this corporation shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than twenty (20) days after this corporation has given the first notice provided for herein or sooner than ten (10) days after this corporation has given notice of any material changes provided for herein; provided, however, that subject to compliance with the General Corporation Law such periods may be shortened or waived upon the written consent of the holders of a Preferred Majority.

(g) Effecting a Liquidation Event. (i) This corporation shall not have the power to effect a Deemed Liquidation Event referred to in this Section 2 unless the agreement or plan of merger or consolidation for such transaction (the “Merger Agreement”) provides that the consideration payable to the stockholders of this corporation shall be allocated among the holders of capital stock of this corporation in accordance with this Section 2. (ii) In the event of a
Liquidation Event referred to in Subsection 2(f)(i)(A) or 2(f)(i)(E) (a “Deemed Liquidation Event”), if this corporation does not effect a dissolution of this corporation under the General Corporation Law within ninety (90) days after such Deemed Liquidation Event, then (A) this corporation shall send a written notice to each holder of Preferred Stock no later than the ninetieth (90th) day after the Deemed Liquidation Event advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause; (B) to require the redemption of such shares of Preferred Stock, and (C) if the Preferred Majority so request in a written instrument delivered to this corporation not later than one hundred twenty (120) days after such Deemed Liquidation Event, this corporation shall use the consideration received by this corporation for such Deemed Liquidation Event (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors of this corporation), together with any other assets of this corporation available for distribution to its stockholders, all to the extent permitted by Delaware law governing distributions to stockholders (the “Available Proceeds”), on the one hundred fiftieth (150th) day after such Deemed Liquidation Event, to redeem all outstanding shares of Preferred Stock at a price per share equal to the amounts to which such holders of shares of Preferred Stock would be entitled pursuant to the provisions of Section 2(a), 2(b) and 2(c) in a Liquidation Event in which the Available Proceeds were paid directly to stockholders of this corporation, and in the priority provided in Sections 2(a), 2(b) and 2(c). Prior to the distribution or redemption provided for in this Subsection (g), this corporation shall not expend or dissipate the consideration received for such Deemed Liquidation Event, except to discharge expenses incurred in connection with such Deemed Liquidation Event or in the ordinary course of business.

(h) Allocation of Contingent Consideration. In the event of a deemed Liquidation Event pursuant to subsection 2(f)(i), if any portion of the consideration payable to the stockholders of this corporation is placed into escrow and/or is payable to the stockholders of this corporation subject to contingencies, the definitive agreement with respect to such deemed Liquidation Event shall provide that (i) the portion of such consideration that is not placed in escrow or retained as a holdback and not subject to any contingencies (the “Initial Consideration”) shall be allocated among the holders of capital stock of this corporation in accordance with subsections 2(a), 2(b), 2(c) and 2(d) as if the Initial Consideration were the only consideration payable in connection with such deemed Liquidation Event and (ii) any additional consideration that becomes payable to the stockholders of this corporation upon release from escrow or satisfaction of contingencies shall be allocated among the holders of capital stock of this corporation in accordance with subsections 2(a), 2(b), 2(c) and 2(d) after taking into account the previous payment of the Initial Consideration as part of the same transaction.

3. Redemption. Other than as set forth in Section 2(g) above, the Preferred Stock is not redeemable at the option of the holder thereof.

4. Conversion. The holders of the Preferred Stock shall have conversion rights as follows (the “Conversion Rights”):

(a) Right to Convert. Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of this corporation or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the applicable Original...
Issue Price for such series by the applicable Conversion Price for such series (the conversion rate for a series of Preferred Stock into Common Stock is referred to herein as the "Conversion Rate" for such series), determined as hereafter provided, in effect on the date the certificate is surrendered for conversion. The initial Conversion Price per share for each series of Preferred Stock shall be the Original Issue Price applicable to such series; provided, however, that the Conversion Price for the Preferred Stock shall be subject to adjustment as set forth in subsection 4(d).

(b) Automatic Conversion.

Each share of Preferred Stock shall automatically be converted into shares of Common Stock at the Conversion Rate at the time in effect for such series of Preferred Stock immediately upon the earlier of (i) the closing of this corporation’s sale of its Common Stock in a firm commitment underwritten public offering pursuant to a registration statement on Form S-1 under the Securities Act of 1933, as amended, with aggregate gross proceeds to this corporation of at least $50 million (a “Qualified Public Offering”) or (ii) the date, or the occurrence of an event, specified by vote or written consent or agreement of the Preferred Majority, provided that (i) if such election is made in connection with a Liquidation Event in which the holders of Series B Preferred would receive less than one times (1x) the Original Issue Price in respect of each share of Series B Preferred as a result of such election, then the vote of the Series B Majority shall also be required, (ii) if such election is made in connection with a Liquidation Event in which the holders of Series C Preferred would receive less than one times (1x) the Original Issue Price in respect of each share of Series C Preferred as a result of such election, then the vote of the Series C Majority shall also be required, and (iii) if such election is made in connection with a Liquidation Event in which the holders of Series D Preferred Stock would receive less than one times (1x) the Original Issue Price in respect of each share of Series D Preferred Stock as a result of such election, then the vote of the Series D Majority shall also be required.

(c) Mechanics of Conversion. Before any holder of Preferred Stock shall be entitled to voluntarily convert the same into shares of Common Stock, he or she shall surrender the certificate or certificates therefor, duly endorsed, at the office of this corporation or of any transfer agent for the Preferred Stock, and shall give written notice to this corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued. This corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date set forth for conversion in the written notice of the election to convert irrespective of the surrender of the shares of Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date. If the conversion is in connection with an underwritten offering of securities registered pursuant to the Securities Act of 1933, as amended, the conversion may, at the option of any holder tendering Preferred Stock for conversion, be conditioned upon the closing with the underwriters of the sale of securities pursuant to such offering, in which event the persons entitled to receive the Common Stock upon conversion of the Preferred Stock shall not be deemed to have converted such Preferred Stock until

8
immediately prior to the closing of such sale of securities. If the conversion is in connection with the automatic conversion provisions of subsection 4(b) above, such conversion shall be deemed to have been made on the conversion date described in the stockholder consent approving such conversion, and the persons entitled to receive shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holders of such shares of Common Stock as of such date.

(d) **Conversion Price Adjustments of Preferred Stock for Certain Dilutive Issuances, Splits and Combinations.** The Conversion Price of the Preferred Stock shall be subject to adjustment from time to time as follows:

(i) (A) If this corporation shall issue, on or after the date upon which this Amended and Restated Certificate of Incorporation is accepted for filing by the Secretary of State of the State of Delaware (the “Filing Date”), any Additional Stock (as defined below) without consideration or for a consideration per share less than the Conversion Price applicable to a series of Preferred Stock in effect immediately prior to the issuance of such Additional Stock, the Conversion Price for each series in effect immediately prior to each such issuance shall forthwith (except as otherwise provided in this clause (i)) be adjusted to a price (calculated to the nearest one-thousandth of a cent) determined by multiplying such Conversion Price by a fraction, the numerator of which shall be the number of shares of Common Stock Outstanding (as defined below) immediately prior to such issuance plus the number of shares of Common Stock that the aggregate consideration received by this corporation for such issuance would purchase at such Conversion Price; and the denominator of which shall be the number of shares of Common Stock Outstanding (as defined below) immediately prior to such issuance plus the number of shares of such Additional Stock. For purposes of this Section 4(d)(i)(A), the term “Common Stock Outstanding” shall mean and include the following: (1) outstanding Common Stock, (2) Common Stock issuable upon conversion of outstanding Preferred Stock, (3) Common Stock issuable upon exercise of outstanding stock options and (4) Common Stock issuable upon exercise (and, in the case of warrants to purchase Preferred Stock, conversion) of outstanding warrants. Shares described in (1) through (4) above shall be included whether vested or unvested, whether contingent or non-contingent and whether exercisable or not yet exercisable. In the event that this corporation issues or sells, or is deemed to have issued or sold, shares of Additional Stock that results in an adjustment to a Conversion Price pursuant to the provisions of this Section 4(d) (the “First Dilutive Issuance”), and this corporation then issues or sells, or is deemed to have issued or sold, shares of Additional Stock in a subsequent issuance other than the First Dilutive Issuance that would result in further adjustment to a Conversion Price (a “Subsequent Dilutive Issuance”) pursuant to the same instruments as the First Dilutive Issuance, then and in each such case upon a Subsequent Dilutive Issuance the applicable Conversion Price for each series of Preferred Stock shall be reduced to the applicable Conversion Price that would have been in effect had the First Dilutive Issuance and each Subsequent Dilutive Issuance all occurred on the closing date of the First Dilutive Issuance.

(B) No adjustment of the Conversion Price for the Preferred Stock shall be made in an amount less than one-tenth of one cent per share. Except to the limited extent provided for in subsections 4(d)(i)(E)(3) and (d)(i)(E)(4), no adjustment of such Conversion Price pursuant to this subsection 4(d)(i) shall have the effect of increasing the Conversion Price above the Conversion Price in effect immediately prior to such adjustment.
In the case of the issuance of Additional Stock for cash, the consideration shall be deemed to be the amount of cash paid therefor before deducting any reasonable discounts, commissions or other expenses allowed, paid or incurred by this corporation for any underwriting or otherwise in connection with the issuance and sale thereof.

In the case of the issuance of Additional Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined by the Board of Directors irrespective of any accounting treatment.

In the case of the issuance of options to purchase or rights to subscribe for Common Stock, securities by their terms convertible into or exchangeable for Common Stock or options to purchase or rights to subscribe for such convertible or exchangeable securities, the following provisions shall apply for purposes of determining the number of shares of Additional Stock issued and the consideration paid therefor:

1. The aggregate maximum number of shares of Common Stock deliverable upon exercise (assuming the satisfaction of any conditions to exercisability, including without limitation, the passage of time, but without taking into account potential antidilution adjustments) of such options to purchase or rights to subscribe for Common Stock shall be deemed to have been issued at the time such options or rights were issued and for a consideration equal to the consideration (determined in the manner provided in subsections 4(d)(i)(C) and (d)(i)(D)), if any, received by this corporation upon the issuance of such options or rights plus the minimum exercise price provided in such options or rights (without taking into account potential antidilution adjustments) for the Common Stock covered thereby.

2. The aggregate maximum number of shares of Common Stock deliverable upon conversion of, or in exchange (assuming the satisfaction of any conditions to convertibility or exchangeability, including, without limitation, the passage of time, but without taking into account potential antidilution adjustments) for, any such convertible or exchangeable securities or upon the exercise of options to purchase or rights to subscribe for such convertible or exchangeable securities and subsequent conversion or exchange thereof shall be deemed to have been issued at the time such securities were issued or such options or rights were issued and for a consideration equal to the consideration, if any, received by this corporation for any such securities and related options or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the minimum additional consideration, if any, to be received by this corporation (without taking into account potential antidilution adjustments) upon the conversion or exchange of such securities or the exercise of any related options or rights (the consideration in each case to be determined in the manner provided in subsections 4(d)(i)(C) and (d)(i)(D)).

3. In the event of any change in the number of shares of Common Stock deliverable or in the consideration payable to this corporation upon exercise of such options or rights or upon conversion of or in exchange for such convertible or exchangeable securities, the Conversion Price of the Preferred Stock, to the extent in any way affected by or computed using such options, rights or securities, shall be recomputed to reflect such change, but no further adjustment shall be made for the actual issuance of Common Stock or
any payment of such consideration upon the exercise of any such options or rights or the conversion or exchange of such securities.

   (4) Upon the expiration of any such options or rights, the termination of any such rights to convert or exchange or the expiration of any options or rights related to such convertible or exchangeable securities, the Conversion Price of the Preferred Stock, to the extent in any way affected by or computed using such options, rights or securities or options or rights related to such securities, shall be recomputed to reflect the issuance of only the number of shares of Common Stock (and convertible or exchangeable securities that remain in effect) actually issued upon the exercise of such options or rights, upon the conversion or exchange of such securities or upon the exercise of the options or rights related to such securities.

   (5) The number of shares of Additional Stock deemed issued and the consideration deemed paid therefor pursuant to subsections 4(d)(i)(E)(1) and (2) shall be appropriately adjusted to reflect any change, termination or expiration of the type described in either subsection 4(d) (i)(E)(3) or (4).

        (ii) “Additional Stock” shall mean any shares of Common Stock issued (or deemed to have been issued pursuant to subsection 4(d)(i)(E)) by this corporation on or after the Filing Date other than:

        (A) Common Stock issued pursuant to a transaction described in subsection 4(d)(iii) hereof;
        (B) Common Stock issued to employees, directors, consultants and other service providers for the primary purpose of soliciting or retaining their services pursuant to plans or agreements approved by this corporation’s Board of Directors (including the affirmative approval of a majority of the Preferred Directors (as defined below));
        (C) Common Stock issued pursuant to a Qualified Public Offering;
        (D) Common Stock issued pursuant to the conversion or exercise of convertible or exercisable securities outstanding on the Filing Date, in each case provided such issuance is pursuant to the terms of such securities as of the Filing Date;
        (E) Common Stock issued in connection with a bona fide business acquisition by this corporation, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise, which transaction is approved by the Board of Directors (including the affirmative approval of a majority of the Preferred Directors (as defined below));
        (F) Common Stock issued or deemed issued pursuant to subsection 4(d)(i)(E) as a result of a decrease in the Conversion Price of any series of Preferred Stock resulting from the operation of Section 4(d);
        (G) Common Stock issued upon conversion of the Preferred Stock;
        (H) Common Stock issued to financial institutions or lessors pursuant to any equipment or commercial property leasing arrangement or commercial credit arrangement, which arrangement is approved by the Board of Directors (including the affirmative approval of a majority of the Preferred Directors (as defined below)) and is primarily for non-equity financing purposes, up to an aggregate of 5% of the issued and outstanding share capital of this corporation;
        (I) Common Stock issued to persons or entities with which this corporation has strategic business relationships, provided such issuances are approved by the Board of Directors (including the affirmative approval of a majority of the Preferred Directors (as defined below)) and are primarily for non-equity financing purposes, up to an aggregate of 5% of the issued and outstanding share capital of this corporation; or
        (J) Common Stock issued in connection with sponsored research, collaboration, technology license or development, OEM, marketing or other similar arrangements, provided such issuances are approved by the Board of Directors (including the affirmative approval of a majority of the Preferred Directors (as defined below)) and are primarily for non-equity financing purposes, up to an aggregate of 5% of the issued and outstanding share capital of this corporation; or
        (K) Common Stock that is issued with the approval of the holders of a Preferred Majority and which specifically states that it shall not be Additional Stock; provided that (x) if such Common Stock is issued at a price per share below the Series B Preferred Stock Original Issue Price, the approval of Series B Majority shall also be required, (y) if such Common Stock is issued at a price per share below the Series C Preferred Stock Original Issue Price, the approval of the Series C Majority shall also be required, and (z) if such Common Stock is issued at a price per share below the Series D Preferred Stock Original Issue Price, the approval of the Series D Majority shall also be required.

(clauses (A) through (K) above, “Exempted Securities”)

        (iii) In the event this corporation should at any time or from time to time after the Filing Date fix a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock (hereinafter referred to as “Common Stock Equivalents”) without payment of any consideration by such holder for the additional shares of Common Stock or the Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion or exercise thereof), then, as of such record date (or the date of such dividend distribution, split or subdivision if no record date is fixed), the Conversion Price of the Preferred Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase of the aggregate of shares of Common Stock outstanding and those issuable with respect to such Common Stock Equivalents with the number of shares issuable with respect to Common Stock Equivalents determined from time to time in the manner provided for deemed issuances in subsection 4(d)(i)(E).
(iv) If the number of shares of Common Stock outstanding at any time after the Filing Date is decreased by a combination of the outstanding shares of Common Stock, then, following the record date of such combination, the Conversion Price for the Preferred Stock shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in outstanding shares.

(c) **Other Distributions.** In the event this corporation shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by this corporation or other persons, assets (excluding cash dividends) or options or rights not referred to in subsection 4(d)(iii), then, in each such case for the purpose of this subsection 4(e), the holders of the Preferred Stock shall be entitled to a proportionate share of any such distribution as though they were the holders of the number of shares of Common Stock of this corporation into which their shares of Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock of this corporation entitled to receive such distribution.

(f) **Recapitalizations.** If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this Section 4 or in Section 2) provision shall be made so that the holders of the Preferred Stock shall thereafter be entitled to receive upon conversion of the Preferred Stock the number of shares of stock or other securities or property of this corporation or otherwise, to which a holder of Common Stock deliverable upon conversion would have been entitled on such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the holders of the Preferred Stock after the recapitalization to the end that the provisions of this Section 4 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Preferred Stock) shall be applicable after that event as nearly equivalently as may be practicable.

(g) **No Impairment.** This corporation will not, without the appropriate vote of the stockholders under the General Corporation Law or Section 6 of this Article IV(B), by amendment of its Certificate of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by this corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Preferred Stock against impairment.

(h) **No Fractional Shares and Certificate as to Adjustments.**

(i) No fractional shares shall be issued upon the conversion of any share or shares of the Preferred Stock and the aggregate number of shares of Common Stock to be issued to particular stockholders, shall be rounded down to the nearest whole share and this corporation shall pay in cash the fair market value of any fractional shares as of the time when entitlement to receive such fractions is determined. Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of shares of
Preferred Stock the holder is at the time converting into Common Stock and the number of shares of Common Stock issuable upon such conversion.

(ii) Upon the occurrence of each adjustment or readjustment of the Conversion Price of Preferred Stock pursuant to this Section 4, this corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. This corporation shall, upon the written request at any time of any holder of Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Price for such series of Preferred Stock at the time in effect, and (C) the number of shares of Common Stock and the amount, if any, of other property that at the time would be received upon the conversion of a share of Preferred Stock.

(i) Notices of Record Date. In the event of any taking by this corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, this corporation shall mail to each holder of Preferred Stock, at least ten (10) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution, and the amount and character of such dividend or distribution.

(j) Reservation of Stock Issuable Upon Conversion. This corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, in addition to such other remedies as shall be available to the holder of such Preferred Stock, this corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to this Amended and Restated Certificate of Incorporation.

(k) Waiver of Adjustment to Conversion Price. Notwithstanding anything herein to the contrary, (A) any downward adjustment of the Conversion Price of the Series Seed Preferred Stock may be waived, either prospectively or retroactively and either generally or in a particular instance, by the consent or vote of the holders of at least sixty percent (60%) of the Series Seed Preferred Stock, voting together as a separate class on an as-converted basis; (B) any downward adjustment of the Conversion Price of the Series A Preferred Stock may be waived, either prospectively or retroactively and either generally or in a particular instance, by the consent or vote of the holders of at least sixty percent (60%) of the Series A Preferred Stock, voting together as a separate class on an as-converted basis, (C) any downward adjustment of the Conversion Price of the Series B Preferred Stock may be waived, either prospectively or retroactively and either generally or in a particular instance, by the consent or vote of the holders of at least a majority of the Series B Preferred Stock, voting together as a separate class on an as-
converted basis, (D) any downward adjustment of the Conversion Price of the Series C Preferred Stock may be waived, either prospectively or retroactively and either generally or in a particular instance, by the consent or vote of the holders of at least a majority of the Series C Preferred Stock, voting together as a separate class on an as-converted basis. Any such waiver shall bind all future holders of shares of such series of Preferred Stock, and (E) any downward adjustment of the Conversion Price of the Series D Preferred Stock may be waived, either prospectively or retroactively and either generally or in a particular instance, by the consent or vote of the holders of at least a majority of the Series D Preferred Stock, voting together as a separate class on an as-converted basis. Any such waiver shall bind all future holders of shares of such series of Preferred Stock.


(a) General Voting Rights. The holder of each share of Preferred Stock shall have the right to one vote for each share of Common Stock into which such Preferred Stock could then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Common Stock, and shall be entitled, notwithstanding any provision hereof, to notice of any stockholders’ meeting in accordance with the Bylaws of this corporation, and except as provided by law or in subsection 5(b) below with respect to the election of directors by the separate class vote of the holders of Common Stock, shall be entitled to vote, together with holders of Common Stock, with respect to any question upon which holders of Common Stock have the right to vote. Notwithstanding the above, each share of Preferred Stock shall have such number of votes with respect to any matter equal to the lesser of (i) 9.90% of the then Total Votes divided by the aggregate number of shares of capital stock of this corporation then held of record by the holder thereof and entitled to vote on such matter, and (ii) such number of votes that such share would have pursuant to the first sentence of this Section 5(a); provided that the positive excess (if any) number of votes of a stockholder pursuant to the immediately preceding clause (ii) over the number of votes of such stockholder pursuant to the immediately preceding clause (i) shall be distributed pro rata (according to the number of votes determined pursuant to the first sentence of this Section 5(a)) among all of the other stockholders the votes of which are determined pursuant to the immediately preceding clause (ii) and not the immediately preceding clause (i). The foregoing sentence shall apply only to a vote (whether at a meeting or by written consent) by all the voting stock of this corporation voting as a single class on an as converted basis, and shall not apply to any vote by the Series Seed Preferred Stock, the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock or Series D Preferred Stock voting either separately or together as a single class. For the purposes hereof, the term “Total Votes” with respect to any matter means, at any relevant time, the total number of votes that may be cast by all the then issued and outstanding shares of capital stock of this corporation entitled to vote on such matter (whether at a meeting or by written consent) pursuant to the first sentence of this Section 5(a). For the purposes hereof, all shares of Preferred Stock held or acquired by affiliated entities (including affiliated venture capital funds or venture capital funds under common investment management) shall be aggregated together for the purpose of determining the voting rights and powers of any holder of Preferred Stock. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as-converted basis (after aggregating all shares into which shares of Preferred Stock held by each holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward).
Voting for the Election of Directors. The holders of shares of Series Seed Preferred Stock, exclusively and as a separate class, shall be entitled to elect two (2) directors of this corporation at any election of directors (the "Series Seed Directors"). The holders of shares of Series A Preferred Stock, exclusively and as a separate class, shall be entitled to elect one (1) director of this corporation at any election of directors (the "Series A Director"). The holders of shares of Series B Preferred Stock, exclusively and as a separate class, shall be entitled to elect one (1) director of this corporation at any election of directors (the "Series B Director"). The holders of shares of Series C Preferred Stock, exclusively and as a separate class, shall be entitled to elect one (1) director of this corporation at any election of directors (the "Series C Director") and, together with the Series Seed Directors, the Series A Director and the Series B Director, the "Preferred Directors"). The holders of outstanding Common Stock, exclusively and as a separate class, shall be entitled to elect two (2) directors of this corporation at any election of directors. Any remaining directors of this corporation shall be elected by the holders of Preferred Stock and Common Stock voting together as a single class on an as-converted basis.

Notwithstanding the provisions of Section 223(a)(1) and 223(a)(2) of the General Corporation Law, any vacancy, including newly created directorships resulting from any increase in the authorized number of directors or amendment of this Amended and Restated Certificate of Incorporation, and vacancies created by removal or resignation of a director, may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced; provided, however, that where such vacancy occurs among the directors elected by the holders of a class or series of stock, the holders of shares of such class or series may override the Board’s action to fill such vacancy by (i) voting for their own designee to fill such vacancy at a meeting of this corporation’s stockholders or (ii) written consent, if the consenting stockholders hold a sufficient number of shares to elect their designee at a meeting of the stockholders. Any director may be removed during his or her term of office, either with or without cause, by, and only by, the affirmative vote of the holders of the shares of the class or series of stock entitled to elect such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders, and any vacancy thereby created may be filled by the holders of that class or series of stock represented at the meeting or pursuant to written consent.

6. Protective Provisions. This corporation shall not (by amendment, merger, consolidation or otherwise) without first obtaining the approval (by vote or written consent, as provided by law) of the holders of a Preferred Majority:

   (a) consummate a Liquidation Event;

   (b) amend this corporation’s Certificate of Incorporation or Bylaws;

   (c) redeem, purchase or otherwise acquire (or pay into or set aside for a sinking fund for such purpose) any share or shares of Preferred Stock or Common Stock; provided, however, that this restriction shall not apply to the repurchase of shares of Common Stock from employees, officers, directors, consultants or other persons performing services for this corporation or any subsidiary pursuant to agreements under which this corporation has the option
to repurchase such shares pursuant to a right of first refusal, at the lower of cost or fair market value, upon the occurrence of certain events, such as the termination of employment or service;

(d) create (including by way of reclassification) or issue any equity securities (including any other security convertible into or exercisable for such equity security) or stock of this corporation with rights, preferences or privileges senior or pari passu to any series of Preferred Stock;

(e) increase or decrease the number of authorized shares of Common Stock or Preferred Stock of this corporation;

(f) increase or decrease the size of the Board;

(g) pay or declare any dividend or other distributions on any shares of capital stock of this corporation;

(h) issue, cause or permit the issuance of any share of capital stock or other security of any subsidiary of this corporation (other than to this corporation or to a wholly-owned subsidiary of this corporation); or

(i) consummate any transaction with Daniel Schreiber or Shai Wininger (each a “Founder” and together the “Founders’”), directly or indirectly, or with any member of a Founder’s family or any corporation controlled by a Founder (each a “Related Party Transaction”) or permit any subsidiary to consummate a Related Party Transaction;

provided that, in connection with any of the actions specified in subsections (a), (b), (c), (f) or (g), if such action shall disproportionately and adversely affect the rights, privileges or preferences of a particular series or holder of Preferred Stock, then the vote or written consent of the holders of a majority of such series or such holder of Preferred Stock, as the case may be, shall also be obtained.

In addition to any other vote or consent required herein or by law, the vote or written consent of the Series B Majority shall be required for the following (whether consummated by merger, amendment, recapitalization, consolidation or otherwise): (a) any increase in the authorized number of shares of Series B Preferred Stock; (b) any amendment, alteration, or repeal of any provision of this corporation’s Amended and Restated Certificate of Incorporation or bylaws that alters or changes the voting or other powers, preferences, or other special rights, privileges or restrictions of the Series B Preferred Stock so as to affect the Series B Preferred Stock adversely and in a disproportionate manner than any other series of Preferred Stock; or (c) any amendment of this corporation’s Amended and Restated Certificate of Incorporation insofar as reference is specifically made to separate series vote, consent or approval of the Series B Preferred Stock.

In addition to any other vote or consent required herein or by law, the vote or written consent of the Series C Majority shall be required for the following (whether consummated by merger, amendment, recapitalization, consolidation or otherwise): (a) any increase in the authorized number of shares of Series C Preferred Stock; (b) any amendment, alteration, or repeal of any provision of this corporation’s Amended and Restated Certificate of
Incorporation or bylaws that alters or changes the voting or other powers, preferences, or other special rights, privileges or restrictions of the Series C Preferred Stock so as to affect the Series C Preferred Stock adversely and in a disproportionate manner than any other series of Preferred Stock; or (c) any amendment of this corporation’s Amended and Restated Certificate of Incorporation insofar as reference is specifically made to separate series vote, consent or approval of the Series C Preferred Stock.

In addition to any other vote or consent required herein or by law, the vote or written consent of the Series D Majority shall be required for the following (whether consummated by merger, amendment, recapitalization, consolidation or otherwise): (a) any increase in the authorized number of shares of Series D Preferred Stock; (b) any amendment, alteration, or repeal of any provision of this corporation’s Amended and Restated Certificate of Incorporation or bylaws that alters or changes the voting or other powers, preferences, or other special rights, privileges or restrictions of the Series D Preferred Stock adversely and in a disproportionate manner than any other series of Preferred Stock; or (c) any amendment of this corporation’s Amended and Restated Certificate of Incorporation insofar as reference is specifically made to separate series vote, consent or approval of the Series D Preferred Stock.

7. Status of Converted Stock. In the event any shares of Preferred Stock shall be converted pursuant to Section 4 hereof, the shares so converted shall be cancelled and shall not be issuable by this corporation. The Amended and Restated Certificate of Incorporation of this corporation shall be appropriately amended to effect the corresponding reduction in this corporation’s authorized capital stock.

8. Notices. Any notice required by the provisions of this Article IV(B) to be given to the holders of shares of Preferred Stock shall be deemed given (i) within 3 business days, if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his, her or its address appearing on the books of this corporation, (ii) within 1 business day, if such notice is provided by electronic transmission in a manner permitted by Section 232 of the General Corporation Law, or (iii) if such notice is provided in another manner then permitted by the General Corporation Law within such time as defined therein.

C. Common Stock. The rights, preferences, privileges and restrictions granted to and imposed on the Common Stock are as set forth below in this Article IV(C).

1. Dividend Rights. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the Common Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of any assets of this corporation legally available therefor, any dividends as may be declared from time to time by the Board of Directors.

2. Liquidation Rights. Upon the liquidation, dissolution or winding up of this corporation, the assets of this corporation shall be distributed as provided in Section 2 of Article IV(B) hereof.
3. **Redemption.** The Common Stock is not redeemable at the option of the holder.

4. **Voting Rights.** The holder of each share of Common Stock shall have the right to one vote for each such share, and shall be entitled to notice of any stockholders’ meeting in accordance with the Bylaws of this corporation, and shall be entitled to vote upon such matters and in such manner as may be provided by law; provided, however, that except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to the Certificate of Incorporation that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to the Certificate of Incorporation or pursuant to the General Corporation Law. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of this corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law.

5. **Right of First Refusal.** The sale, transfer or other disposition of each share of Common Stock (other than shares of Common Stock issued upon conversion of Preferred Stock) shall be subject to the Right of First Refusal set forth in the Amended and Restated Bylaws of this corporation.

**ARTICLE V**

Except as otherwise provided in this Amended and Restated Certificate of Incorporation, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of this corporation.

**ARTICLE VI**

Subject to any additional vote required by this Amended and Restated Certificate of Incorporation, the number of directors of this corporation shall be determined in the manner set forth in the Bylaws of this corporation.

**ARTICLE VII**

Elections of directors need not be by written ballot unless the Bylaws of this corporation shall so provide.

**ARTICLE VIII**

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of this corporation may provide. The books of this corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of this corporation.
ARTICLE IX

To the fullest extent permitted by law, a director of this corporation shall not be personally liable to this corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director’s duty of loyalty to this corporation or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit. If the General Corporation Law is amended after approval by the stockholders of this Article IX to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of this corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law as so amended.

Any disinterested failure to satisfy DGCL §365 shall not, for the purposes of Sections 102(b)(7) of 145 of the DGCL, or for purposes of any use of the term “good faith” in this certificate or the Bylaws in regard to the indemnification or advancement of expenses of officers, directors, employees or agents, constitute an act or omission not in good faith, or a breach of the duty of loyalty.

Any amendment, repeal or modification of the foregoing provisions of this Article IX by the stockholders of this corporation shall not adversely affect any right or protection of a director of this corporation existing at the time of, or increase the liability of any director of this corporation with respect to any acts or omissions of such director occurring prior to, such amendment, repeal or modification.

ARTICLE X

To the fullest extent permitted by applicable law, this corporation is authorized to provide indemnification of (and advancement of expenses to) directors, officers, employees and agents of this corporation (and any other persons to which General Corporation Law permits this corporation to provide indemnification) through Bylaw provisions, agreements with such persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the General Corporation Law, subject only to limits created by applicable General Corporation Law (statutory or non-statutory), with respect to actions for breach of duty to this corporation, its stockholders, and others.

Any amendment, repeal or modification of the foregoing provisions of this Article X shall not adversely affect any right or protection of a director, officer, employee, agent or other person existing at the time of, or increase the liability of any such person with respect to any acts or omissions of such person occurring prior to, such amendment, repeal or modification.

ARTICLE XI

This corporation renounces any interest or expectancy of this corporation in, or in being offered an opportunity to participate in, an Excluded Opportunity. An “Excluded Opportunity” is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, (i) any director of this corporation who is not an employee of this corporation or any of its subsidiaries, or (ii) any holder of Preferred
Stock or any partner, member, director, stockholder, employee or agent of any such holder, other than someone who is an employee of this corporation or any of its subsidiaries (collectively, “Covered Persons”), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person’s capacity as a director of this corporation.

ARTICLE XII

To the extent one or more sections of any other state corporations code setting forth minimum requirements for this corporation’s retained earnings and/or net assets are applicable to this corporation’s repurchase of shares of Common Stock, such code sections shall not apply, to the greatest extent permitted by applicable law, in whole or in part with respect to repurchases by this corporation of its Common Stock from employees, officers, directors, advisors, consultants or other persons performing services for this corporation or any subsidiary pursuant to agreements under which this corporation has the right to repurchase such shares at cost upon the occurrence of certain events, such as the termination of employment. In the case of any such repurchases, distributions by this corporation may be made without regard to the “preferential dividends arrears amount” or any “preferential rights amount,” as such terms may be defined in such other state’s corporations code.

ARTICLE XIII

Unless this corporation consents in writing to the selection of an alternative forum, the Court of Chancery in the State of Delaware shall be the sole and exclusive forum for any stockholder (including a beneficial owner) to bring (i) any derivative action or proceeding brought on behalf of this corporation, (ii) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee of this corporation to this corporation or this corporation’s stockholders, (iii) any action asserting a claim against this corporation, its directors, officers or employees arising pursuant to any provision of the Delaware General Corporation Law or this corporation’s certificate of incorporation or bylaws or (iv) any action asserting a claim against this corporation, its directors, officers or employees governed by the internal affairs doctrine, except for, as to each of (i) through (iv) above, any claim as to which the Court of Chancery determines that there is an indispensable party not subject to the jurisdiction of the Court of Chancery (and the indispensable party does not consent to the personal jurisdiction of the Court of Chancery within ten days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery, or for which the Court of Chancery does not have subject matter jurisdiction. If any provision or provisions of this Article XIII shall be held to be invalid, illegal or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Article XIII (including, without limitation, each portion of any sentence of this Article XIII containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) and the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby.

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21
THIRD: The foregoing amendment and restatement was approved by the holders of the requisite number of shares of said corporation in accordance with Section 228 of the General Corporation Law.

FOURTH: That said Amended and Restated Certificate of Incorporation, which restates and integrates and further amends the provisions of this corporation’s Amended and Restated Certificate of Incorporation, has been duly adopted in accordance with Sections 242 and 245 of the General Corporation Law.
IN WITNESS WHEREOF, this Amended and Restated Certificate of Incorporation has been executed by a duly authorized officer of this corporation on this 25 day of June 2019.

/s/ Shai Wininger
Shai Wininger, President
BY-LAWS OF
LEMONADE, INC.

A Public-Benefit Corporation

(THE “CORPORATION”)

1. OFFICES:

The Corporation may have an office or offices at such places as the Board of Directors may from time to time designate.

2. MEETING OF STOCKHOLDERS:

2.1. The annual meeting of stockholders for the election of directors shall be held at such time and date as may be fixed by the Board of Directors.

2.2. Special meetings of the stockholders may be called at any time by the President, and shall be called by the President or secretary on the request in writing, or by vote, of a majority of the directors, or at the request in writing of stockholders of record owning a majority in amount of the capital stock outstanding and entitled to vote.

2.3. All meetings of the stockholders may be held at such place or places, within or without the State of Delaware, as may from time to time be fixed by the Board of Directors or as shall be specified and fixed in the respective notices or waiver of notice thereof.

3. DIRECTORS:

3.1. The Board of Directors of the Corporation shall consist of one or more directors as determined from time to time by resolution of the Board of Directors.

3.2. The property and business of the Corporation shall be managed by, or under the direction of, its Board of Directors.

3.3. Each director shall hold office until the next annual election, and until such director’s successor is elected and qualified, or until such director’s earlier resignation or removal. Directors shall be elected by the stockholders as set forth in the Corporation Amended and Restated Certificate of Incorporation, as amended from time to time (the “Certificate of Incorporation”), except that vacancies in the Board of Directors by reason of death, resignation or otherwise and newly created directorships may be filled for the unexpired term by the remaining directors, though less than a quorum, by a majority vote.

4. POWER OF DIRECTORS:

The Board of Directors shall have such general and specific powers as are conferred upon corporations by the General Corporation Law of the State of Delaware, as amended from time to time, subject only to the provisions of the statutes, the
5. MEETING OF DIRECTORS:

5.1. The directors may meet for the purpose of organization, the election of officers, and the transaction of other business, at such place and time as may be fixed by the stockholders at the annual meeting, and if a majority of the directors be present at such place and time, no prior notice of such meeting shall be required to be given to the directors. The place and time of such meeting may also be fixed by written consent of the directors. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors.

5.2. Special meetings of the Board of Directors may be called by the President, and shall be called by the President or the Secretary at the written request of two directors, by notice to each director given five (5) days prior to the meeting if by mail, or two (2) days prior to the meeting if by telephone, facsimile telecommunication or electronic transmission.

5.3. Special meetings of the Board of Directors may be held within or without the State of Delaware at such place as is indicated in the notice or waiver of notice thereof.

5.4. A majority of the directors shall constitute a quorum, but a smaller number may adjourn from time to time, without further notice, until a quorum is secured.

6. EXECUTIVE AND OTHER COMMITTEES:

6.1. The Board of Directors may designate an executive committee and one or more other committees each to consist of one or more of the directors of the Corporation.

6.2. Any such committee shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation to the extent provided in the resolution of the Board of Directors, subject to applicable laws.

6.3. The executive committee and such other committees shall meet at stated times or on notice to all by any of their own number. They shall fix their own rules of procedure. A majority shall constitute a quorum, but unless otherwise determined by the Board of Directors, the affirmative vote of a majority of the whole committee shall be necessary in every case.

7. OFFICERS OF THE CORPORATION:

7.1. The officers of the Corporation may be a President, one or more Vice-Presidents, Secretary, Treasurer, and such other officers as may from time to time be chosen by the Board of Directors.
7.2. Each officer shall hold office until such officer’s successor is elected and qualified or until such officer’s earlier resignation or removal. Any officer may resign at any time upon written notice to the corporation. Any officer may be removed either with or without cause at any time by the Board of Directors. If the office of any officer or officers becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

8. DUTIES OF THE PRESIDENT:

8.1. Unless otherwise determined by the Board of Directors, the President shall be the chief executive officer of the Corporation. It shall be the President’s duty to preside at all meetings of the stockholders; to have general and active management of the business and the Corporation; to see that all orders and resolutions of the Board of Directors are carried into effect; to execute all contracts, agreements, deeds, bonds, mortgages and other obligations and instruments, in the name of the Corporation, and to affix the corporate seal thereto when authorized by the Board of Directors or the executive committee.

8.2. Unless otherwise determined by the Board of Directors, the President shall have the general supervision and direction of the other officers of the Corporation and shall see that their duties are properly performed and shall have the general duties and powers of supervision and management usually vested in the office of the President of a Corporation.

9. VICE PRESIDENT:

Unless otherwise determined by the Board of Directors, the Vice-Presidents, in the order designated by the Board of Directors, shall be vested with all powers and required to perform all the duties of the President in the President’s absence or disability and shall perform such other duties as may be prescribed by the Board of Directors.

10. PRESIDENT PRO TEM:

In the absence or disability of the President and the Vice-President, the Board of Directors may appoint from their own number a president pro tem.

11. SECRETARY:

Unless otherwise determined by the Board of Directors, the Secretary shall attend all meetings of the Corporation, the Board of Directors, the executive committee and standing committees. The Secretary shall act as clerk thereof and shall record all of the proceedings of such meetings in a book kept for that purpose. The Secretary shall give proper notice of meetings of stockholders and Board of Directors and shall perform such other duties as shall be assigned by the President or the Board of Directors.

12. TREASURER: Unless otherwise determined by the Board of Directors,

12.1. The Treasurer shall have custody of the funds and securities of the Corporation and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable
12.2. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, executive committee or President, taking proper vouchers for such disbursements, and shall render to the President and Board of Directors, whenever they may require it, an account of all his transactions as treasurer, and of the financial condition of the Corporation, and at the regular meeting of the Board of Directors next preceding the annual stockholders’ meeting, a like report for the preceding year.

12.3. The Treasurer shall keep an account of stock registered and transferred in such manner and subject to such regulations as the Board of Directors may prescribe.

12.4. The Treasurer shall give the Corporation a bond, if required by the Board of Directors, in such sum and in form and with security satisfactory to the Board of Directors for the faithful performance of the duties of his office and the restoration to the Corporation, in case of his death, resignation or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession, belonging to the Corporation. The Treasurer shall perform such other duties as the Board of Directors or executive committee may from time to time prescribe or require.

13. DUTIES OF OFFICERS MAY BE DELEGATED:

In case of the absence or disability of any officer of the Corporation or for any other reason deemed sufficient by a majority of the Board of Directors, the Board of Directors may delegate his powers or duties to any other officer or to any director for the time being.

14. CERTIFICATES OF STOCK:

14.1. Certificates of stock shall be signed by the Chairman, the Vice Chairman, the President or a Vice-President, and either by the Treasurer, Assistant Treasurer, Secretary or Assistant Secretary.

14.2. If a certificate of stock be lost or destroyed, another may be issued in its stead upon proof of loss or destruction and the giving of a satisfactory bond of indemnity in an amount sufficient to indemnify the Corporation against any claim.

14.3. A new certificate may be issued without requiring bond when, in the judgment of the Board of Directors, it is proper to do so.

15. TRANSFER OF STOCK:

15.1. Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-laws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his or her attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be canceled before a new certificate shall be issued.
15.2. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction on its books.

16. RIGHT OF FIRST REFUSAL:

Except as permitted by this section, no stockholder holding shares of common stock of the Corporation ("Common Stock" and "Common Holder" respectively) shall sell, assign, pledge, or in any manner transfer (each, a "Transfer") any Common Stock or any right or interest therein held by such Common Holder, whether voluntarily or by operation of law, or by gift or otherwise, except in compliance with following requirements:

16.1. If the Common Holder receives a bona fide offer acceptable to the Common Holder to Transfer any Common Stock held by such Common Holder, then the Common Holder shall first give written notice thereof to the Corporation (a "Transfer Notice"). The notice shall name the proposed transferee and state the number of shares of Common Stock to be transferred (the "Transfer Stock"), the price per share and all other material terms and conditions of the offer.

16.2. For fifteen (30) days following receipt of the Transfer Notice, the Corporation or its assigns shall have the option to purchase any or all of the Transfer Stock at the price and upon the terms set forth in such Transfer Notice. In the event the Corporation elects to purchase any or all of the Transfer Stock, it shall give written notice to the selling Common Holder of its election and settlement for said Common Stock shall be made as provided below in 5.6(c). The Corporation may assign its rights hereunder.

16.3. If the Corporation or any assignee of the Corporation elects to acquire any of the Transfer Stock, the Corporation or such assignee shall so notify the selling Common Holder and settlement thereof shall be made within thirty (30) days after the Corporation receives the Transfer Notice; provided that if the consideration proposed to be paid for the Transfer Stock is in property, services or other non-cash consideration, the Corporation or such assignee may pay the cash value equivalent thereof (as determined in good faith by the Corporation’s Board of Directors) on the same terms and conditions set forth in the Transfer Notice.

16.4. If the Corporation or its assignee does not elect to acquire all of the Transfer Stock, the selling Common Holder may, during the sixty (60) day period following the Corporation’s receipt of the Transfer Notice, sell all, but not less than all, of the Transfer Stock which was not acquired by the Corporation or its assignee, provided that said sale shall not be on terms or conditions more favorable to the purchaser than those contained in the bona fide offer set forth in the Transfer Notice. All Transfer Stock shall continue to be subject to the provisions of this Section 16 in the same manner as before said transfer.

16.5. Notwithstanding the above, the following transactions shall be exempt from the provisions of this Section 16:
a) With respect to a Common Holder who is a natural person, the Transfer of Common Stock made for a bona fide estate planning purposes, to any spouse or member of such Common Holder’s immediate family, or to a custodian, trustee (including a trustee of a voting trust), executor or other fiduciary for the account of such Common Holder’s spouse or members of such Common Holder’s immediate family, or to a trust for such Common Holder’s own self, or a charitable remainder trust;

b) A repurchase of Common Stock from a Common Holder by the Company at cost and pursuant to an agreement containing vesting and/or repurchase provisions;

c) A Common Holder’s Transfer of any or all of such Common Holder’s Common Stock to any other Common Holder of the Corporation;

d) A Common Holder’s Transfer of any or all of such Common Holder’s Common Stock to a person who, at the time of such transfer, is an officer or director of the Corporation in a transaction approved by the Board of Directors;

e) In the case of a Common Holder that is an entity, upon a transfer by such Common Holder to any of its Affiliates (as hereinafter defined) or the stockholders, members, partners or other equity holders of it or its Affiliates. “Affiliate” as used herein shall mean any person or entity which, directly or indirectly, controls, is controlled by, or is under common control with such person or entity, including, without limitation, any partner, officer, director, or member of such person or entity and any venture capital fund now or hereafter existing which is controlled by or under common control with one or more general partners (or members thereof) or shares the same management company (or members thereof) with such person or entity;

f) In the case of a sale of shares of Common Stock to the public pursuant to a registration statement filed with, and declared effective by, the Securities and Exchange Commission under the Securities Act of 1933, as amended;

g) A Transfer of any or all of the shares of Common Stock of a Common Holder that are subject to an agreement to which the Corporation is a party, containing a contractual right of first refusal in favor of the Corporation and/or third parties (such agreement, a “ROFR Agreement”), provided that such Common Holder’s Transfer of shares is made in compliance with the terms of such ROFR Agreement.

16.6. In any case of Transfer of Common Stock in accordance with Sub-Section (a) through (e) above the transferee, assignee, or other recipient shall receive and hold such Common Stock subject to the provisions of this Section 16, and there shall be no further Transfer of such Common Stock except in accordance with this Section 16.

16.7. Any Transfer, or purported Transfer, of Common Stock shall be null and void unless the terms, conditions, and provisions of this Section 16 are strictly observed and followed.
16.8. The certificates representing the Common Stock that is subject to the restrictions set forth in this Section 16 shall bear the following legend so long as the foregoing right of first refusal remains in effect:

"THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO, AND IN CERTAIN CASES PROHIBITED BY, THE TERMS AND CONDITIONS OF A RIGHTS OF FIRST REFUSAL SET FORTH IN THE BYLAWS OF THE CORPORATION. COPIES OF SUCH DOCUMENTS MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE CORPORATION."

16.9. The provisions of this Section 16 shall not apply to: (i) any transfer of shares of preferred stock of the Corporation or the shares of Common Stock issued upon conversion thereof; and (ii) Allianz Strategic Investments s.a.r.l. in its capacity as a Common Holder and its permitted successors and assigns.

16.10. The foregoing right of first refusal shall may be waived by the Corporation, upon duly authorized action of its Board of Directors.

16.11. The foregoing right of first refusal shall terminate upon the date securities of the corporation are first offered to the public pursuant to a registration statement filed with, and declared effective by, the United States Securities and Exchange Commission under the Securities Act of 1933, as amended.

17. STOCKHOLDERS OF RECORD:

The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof, save as expressly provided by the laws of Delaware.

18. FISCAL YEAR:

The fiscal year of the Corporation shall be determined by the Board of Directors.

19. DIVIDENDS:

Dividends upon the capital stock may be declared by the Board of Directors at any regular or special meeting and may be paid in cash or property or in shares of the capital stock. The Board of Directors may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purposes and may alter or abolish any such reserve or reserves.

20. CHECKS FOR MONEY:

All checks, drafts or orders for the payment of money shall be signed by the Treasurer or by such other officer or officers as the Board of Directors may from time to time designate. No check shall be signed in blank.
21. BOOKS AND RECORDS:

The books, records and accounts of the Corporation except as otherwise required by the laws of the State of Delaware, may be kept within or without the State of Delaware, at such place or places as may from time to time be designated by the By-Laws or by resolution of the Board of Directors.

22. NOTICES:

22.1. Except as otherwise specifically provided herein or required by law, all notices required to be given to any stockholder, director, officer, employee or agent shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by facsimile telecommunication or electronic transmission. Any such notice shall be addressed to such stockholder, director, officer, employee or agent at his or her last known address as the same appears on the books of the Corporation. The time when such notice is received, if hand delivered, or when such notice is dispatched, if delivered through the mail, by facsimile telecommunication or electronic transmission, shall be the time of the giving of the notice.

22.2. A written waiver of any notice, signed by a stockholder, director, officer, employee or agent, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such stockholder, director, officer, employee or agent. Neither the business nor the purpose of any meeting need be specified in such a waiver.

23. AMENDMENT:

These By-Laws may be amended, altered, repealed or supplemented at any regular meeting of the stockholders or of the Board of Directors or at any special meeting called for that purpose, by affirmative vote of a majority of the stock issued and outstanding and entitled to vote or of a majority of the whole board of directors, as the case may be.

24. INDEMNIFICATION:

24.1. Right to Indemnification:

Each person who was or is a party to, or is threatened to be made a party to, or is involved in, any action, suit or proceeding, whether civil, criminal, administrative or investigative ("Proceeding"), including without limitation Proceedings by or in the right of the Corporation to procure a judgment in its favor, by reason of the fact that he or she or a person for whom he or she is the legal representative is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer, employee or agent of another corporation, or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such Proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the General Corporation Law of the State
of Delaware, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against all expenses, liability and loss (including attorneys’ fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith. Such right shall be a contract right and shall include the right to be paid by the Corporation for expenses incurred in defending any such Proceeding in advance of its final disposition; provided, however, that the payment of such expenses incurred by a director or officer of the Corporation in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of such Proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it should be determined ultimately that such director or officer is not entitled to be indemnified under this section or otherwise.

24.2. Right of Claimant to Bring Suit:

If a claim under Section 24.1 is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, and if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any Proceeding in advance of its final disposition where the required undertaking has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the General Corporation Law of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant had not met such applicable standard of conduct, shall create a presumption that claimant had not met the applicable standard of conduct.

24.3. Non-Exclusivity of Rights:

The rights conferred by Sections 24.1 and 24.2 shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

24.4. Insurance:

The corporation may maintain insurance, at its expense, to protect itself and any such director, officer, employee or agent of the corporation or another corporation,
partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.

DATED: April 8, 2019
AMENDED AND RESTATED INVESTORS’ RIGHTS AGREEMENT

This AMENDED AND RESTATED INVESTORS’ RIGHTS AGREEMENT (the “Agreement”) is made as of June 26, 2019, by and among Lemonade, Inc., a Delaware corporation (the “Company”), and the investors listed on Schedule A hereto, each of which is herein referred to as an “Investor” and collectively as the “Investors”, each of the stockholders listed on Schedule B hereto, each of whom is herein referred to as a “Key Holder” and collectively as the “Key Holders”).

RECITALS

WHEREAS, certain of the Investors (the “Existing Investors”) hold shares of the Company’s Series Seed Preferred Stock, par value $0.00001 per share (the “Series Seed Preferred Stock”), Series A Preferred Stock, par value $0.00001 per share (the “Series A Preferred Stock”), Series B Preferred Stock, par value $0.00001 per share (the “Series B Preferred Stock”), Series C Preferred Stock, par value $0.00001 per share (the “Series C Preferred Stock”) and/or shares of Common Stock issued upon conversion thereof and possess registration rights, information rights, rights of first offer and other rights pursuant to an Amended and Restated Investors’ Rights Agreement dated as of March 12, 2018 by and among the Company, certain holders of Common Stock, par value $0.00001 per share (the “Common Stock”), and such Existing Investors (the “Prior Agreement”);

WHEREAS, the Prior Agreement may be amended, and any provision therein waived, with the consent of the Company and the holders of at least 60% of the outstanding Registrable Securities (as such term is defined in the Prior Agreement) of the Company desire to terminate the Prior Agreement and to accept the rights created pursuant hereto in lieu of the rights granted to them under the Prior Agreement; and

WHEREAS, certain Investors are parties to the Series D Preferred Stock Purchase Agreement dated April 8, 2019 by and among the Company and certain of the Investors (the “Series D Agreement”), which provides that as a condition to the closing of the sale of the Series D Preferred Stock, par value $0.00001 per share (the “Series D Preferred Stock” and collectively with the Series Seed Preferred Stock, the Series A Preferred Stock, the Series B Preferred Stock and the Series C Preferred Stock, the “Preferred Stock”), this Agreement must be executed and delivered by such Investors and Existing Investors holding 60% of the outstanding Registrable Securities (as such term is defined in the Prior Agreement) of the Company.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the Existing Investors hereby agree that the Prior Agreement shall be superseded and replaced in its entirety by this Agreement, and the parties hereto further agree as follows:

1. Registration Rights.

The Company covenants and agrees as follows:
1.1 Definitions.

For purposes of this Agreement:

(a) The term “Act” means the Securities Act of 1933, as amended.

(b) The term “Affiliate” means, with respect to any Person, any other Person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified Person, including, without limitation, any general partner, officer, director or manager of such Person and any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or is under common investment management with, such Person. For the avoidance of doubt, SoftBank Vision Fund L.P., a limited partnership formed under the laws of Jersey, SoftBank Group Corp. and all persons or entities controlling, controlled by or under common control with either SoftBank Vision Fund L.P. or SoftBank Group Corp. are Affiliates of each other. It is also clarified that GV 2016, L.P., GV 2019, L.P., Alphabet, Inc. and its subsidiaries are Affiliates of each other.

(c) The term “Form S-3” means such form under the Act as in effect on the date hereof or any registration form under the Act subsequently adopted by the SEC that permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

(d) The term “Free Writing Prospectus” means a free-writing prospectus, as defined in Rule 405.

(e) The term “Holder” means any Person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 1.11 hereof.

(f) The term “Initial Offering” means the Company’s first firm commitment underwritten public offering of its Common Stock under the Act.

(g) The term “1934 Act” means the Securities Exchange Act of 1934, as amended.

(h) The term “Person” shall mean any individual, corporation, partnership, trust, limited liability company, association or other entity.

(i) The terms “register,” “registered,” and “registration” refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Act, and the declaration or ordering of effectiveness of such registration statement or document.

(j) The term “Registrable Securities” means (i) the Common Stock issued to Investors or issuable upon conversion of the Preferred Stock, (ii) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security that is issued as) a dividend or other distribution with respect to, or in exchange for, or in replacement of, the shares referenced in (i) above, (iii) the Common Stock held by a Major Holder who is not a Key Holder, and (iv) the Common Stock held by the Key Holders, provided, however,
that such Key Holders Registrable Securities shall not be deemed Registrable Securities and the Key Holders shall not be deemed Holders for the purposes of Sections 1.2, 1.4, 1.12, 2.1, 2.2, 2.4 and 3.7, excluding in all cases, however, any Registrable Securities sold by a Person in a transaction in which his rights under this Section 1 are not assigned. In addition, the number of shares of Registrable Securities outstanding shall equal the aggregate of the number of shares of Common Stock outstanding that are, and the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities that are, Registrable Securities.

(k) The term “Restated Certificate” shall mean the Company’s Amended and Restated Certificate of Incorporation, as amended and/or restated from time to time.

(l) The term “Rule 144” shall mean Rule 144 under the Act.

(m) The term “Rule 144(b)(1)(i)” shall mean subsection (b)(1)(i) of Rule 144 under the Act as it applies to Persons who have held shares for more than one (1) year.

(n) The term “Rule 405” shall mean Rule 405 under the Act.

(o) The term “SEC” shall mean the Securities and Exchange Commission.

1.2 Request for Registration

(a) Subject to the conditions of this Section 1.2, if the Company shall receive at any time after the earlier of (i) five (5) years after the date of this Agreement or (ii) six (6) months after the effective date of the Initial Offering, a written request from the Holders of a majority of the Registrable Securities then outstanding (for purposes of this Section 1.2, the “Initiating Holders”) that the Company file a registration statement under the Act covering the registration of Registrable Securities with an anticipated aggregate offering price of at least $15,000,000, then the Company shall, within twenty (20) days of the receipt thereof, give written notice of such request to all Holders (including the Key Holders), and subject to the limitations of this Section 1.2, use all commercially reasonable efforts to effect, as soon as practicable, the registration under the Act of all Registrable Securities that the Holders request to be registered in a written request received by the Company within twenty (20) days of the mailing of the Company’s notice pursuant to this Section 1.2(a).

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 1.2, and the Company shall include such information in the written notice referred to in Section 1.2(a). In such event the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company (which underwriter or underwriters shall be reasonably acceptable to those Initiating Holders holding a majority of the Registrable Securities held by all Initiating Holders). Notwithstanding any other provision of this
Section 1.2, if the underwriter advises the Company that marketing factors require a limitation on the number of securities underwritten (including Registrable Securities), then the Company shall so advise all Holders of Registrable Securities that would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities pro rata based on the number of Registrable Securities held by all such Holders (including the Initiating Holders). In no event shall any Registrable Securities be excluded from such underwriting unless all other securities, including Registrable Securities held by Key Holders, are first excluded. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(c) Notwithstanding the foregoing, the Company shall not be required to effect a registration pursuant to this Section 1.2:

(i) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, unless the Company is already subject to service in such jurisdiction and except as may be required under the Act; or

(ii) after the Company has effected two (2) registrations pursuant to this Section 1.2, and such registrations have been declared or ordered effective; or

(iii) during the period starting with the date sixty (60) days prior to the Company’s good faith estimate of the date of the filing of and ending on a date one hundred eighty (180) days following the effective date of a Company-initiated registration subject to Section 1.3 below, provided that the Company is actively employing in good faith all commercially reasonable efforts to cause such registration statement to become effective; or

(iv) if the Initiating Holders propose to dispose of Registrable Securities that may be registered on Form S-3 pursuant to Section 1.4 hereof; or

(v) if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 1.2 a certificate signed by the Company’s Chief Executive Officer or Chairman of the Board of Directors stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such registration statement to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders, provided that such right shall be exercised by the Company not more than once in any twelve (12) month period and provided further that the Company shall not register any securities for the account of itself or any other stockholder during such ninety (90) day period (other than a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered).
1.3 Company Registration.

(a) If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for stockholders other than the Holders) any of its stock or other securities under the Act in connection with the public offering of such securities (other than (i) a registration relating to a demand pursuant to Section 1.2 or (ii) a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given within twenty (20) days after mailing of such notice by the Company in accordance with Section 3.5, the Company shall, subject to the provisions of Section 1.3(c), use all commercially reasonable efforts to cause to be registered under the Act all of the Registrable Securities that each such Holder requests to be registered.

(b) Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 1.3 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The expenses of such withdrawn registration shall be borne by the Company in accordance with Section 1.7 hereof.

(c) Underwriting Requirements. In connection with any offering involving an underwriting of shares of the Company’s capital stock, the Company shall not be required under this Section 1.3 to include any of the Holders’ securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by the Company (or by other Persons entitled to select the underwriters) and enter into an underwriting agreement in customary form with such underwriters, and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by the Company. If the total amount of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the amount of securities sold other than by the Company that the underwriters determine in their sole discretion is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, that the underwriters determine in their sole discretion will not jeopardize the success of the offering. In no event shall any Registrable Securities be excluded from such offering unless all other stockholders’ securities, including the Registrable Securities held by the Key Holders, have been first excluded. In the event that the underwriters determine that less than all of the Registrable Securities requested to be included can be included in such offering, then the Registrable Securities that are included in such offering shall be apportioned pro rata among the selling Holders based on the number of Registrable Securities held by all selling Holders or in such other proportions as shall mutually be agreed to by all such selling Holders. Notwithstanding the foregoing, in no event shall the amount of securities of the selling Holders included in the offering be reduced below thirty-three percent (33%) of the total amount of securities included in such offering, unless such offering is the Initial Offering, in which case the selling Holders may be excluded if the underwriters make the
determination described above and no other stockholder’s securities are included in such offering. For purposes of the preceding sentence concerning apportionment, for any selling stockholder that is a Holder of Registrable Securities and that is a venture capital fund, partnership or corporation, the affiliated venture capital funds, partners, members, retired partners and stockholders of such Holder, or the estates and family members of any such partners, members, and retired partners and any trusts for the benefit of any of the foregoing Persons shall be deemed to be a single “selling Holder,” and any pro rata reduction with respect to such “selling Holder” shall be based upon the aggregate amount of Registrable Securities owned by all such related entities and individuals.

1.4 Form S-3 Registration.

In case the Company shall receive from the Holders of at least twenty percent (20%) of the Registrable Securities (for purposes of this Section 1.4, the “S-3 Initiating Holders”) a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company shall:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders including the Key Holders; and

(b) use all commercially reasonable efforts to effect, as soon as practicable, such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holders’ Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holders and/or Key Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company, provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 1.4:

(i) if Form S-3 is not available for such offering by the Holders;

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters’ discounts or commissions) of less than $10,000,000;

(iii) if the Company shall furnish to all Holders requesting a registration statement pursuant to this Section 1.4 a certificate signed by the Company’s Chief Executive Officer or Chairman of the Board of Directors stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such registration statement to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the S-3 Initiating Holders, provided that such right shall be exercised by the Company not more than once in any twelve (12) month period and provided further that the Company shall not register any securities for the account of itself or any other stockholder during such ninety (90) day period (other than a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or
transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered;

(iv) if the Company has, within the twelve (12) month period preceding the date of such request, already effected two (2) registrations on Form S-3 pursuant to this Section 1.4; or

(v) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(c) If the S-3 Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 1.4 and the Company shall include such information in the written notice referred to in Section 1.4(a). The provisions of Section 1.2(b) shall be applicable to such request (with the substitution of Section 1.4 for references to Section 1.2).

(d) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the S-3 Initiating Holders. Registrations effected pursuant to this Section 1.4 shall not be counted as requests for registration effected pursuant to Section 1.2.

1.5 Obligations of the Company.

Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all commercially reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the Registration Statement has been completed;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement;

(c) furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus and any Free Writing Prospectus, in conformity with the requirements of the Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

(d) use all commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering;

(f) notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus or Free Writing Prospectus (to the extent prepared by or on behalf of the Company) relating thereto is required to be delivered under the Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and, at the request of any such Holder, the Company will, as soon as reasonably practicable, file and furnish to all such Holders a supplement or amendment to such prospectus or Free Writing Prospectus (to the extent prepared by or on behalf of the Company) so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading in light of the circumstances under which they were made;

(g) cause all such Registrable Securities registered pursuant to this Section 1 to be listed on a national exchange or trading system and on each securities exchange and trading system on which similar securities issued by the Company are then listed; and

(h) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

Notwithstanding the provisions of this Section 1, the Company shall be entitled to postpone or suspend, for a reasonable period of time, the filing, effectiveness or use of, or trading under, any registration statement if the Company shall determine that any such filing or the sale of any securities pursuant to such registration statement would in the good faith judgment of the Board of Directors of the Company:

(i) materially impede, delay or interfere with any material pending or proposed financing, acquisition, corporate reorganization or other similar transaction involving the Company for which the Board of Directors of the Company has authorized negotiations;

(ii) materially adversely impair the consummation of any pending or proposed material offering or sale of any class of securities by the Company; or

(iii) require disclosure of material nonpublic information that, if disclosed at such time, would be materially harmful to the interests of the Company and its
stockholders; **provided, however,** that during any such period all executive officers and directors of the Company are also prohibited from selling securities of the Company (or any security of any of the Company’s subsidiaries or Affiliates).

In the event of the suspension of effectiveness of any registration statement pursuant to this Section 1.5, the applicable time period during which such registration statement is to remain effective shall be extended by that number of days equal to the number of days the effectiveness of such registration statement was suspended.

1.6 **Information from Holder.**

It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be reasonably required to effect the registration of such Holder’s Registrable Securities.

1.7 **Expenses of Registration.**

All expenses other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications pursuant to Sections 1.2, 1.3 and 1.4, including, without limitation, all registration, filing and qualification fees, printers’ and accounting fees, fees and disbursements of counsel for the Company and the reasonable fees and disbursements of one counsel for the selling Holders (not to exceed $50,000) shall be borne by the Company. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 1.2 or Section 1.4 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be included in the withdrawn registration), unless, in the case of a registration requested under Section 1.2, the Holders of a majority of the Registrable Securities agree to forfeit their right to one demand registration pursuant to Section 1.2 and **provided, however,** that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business or prospects of the Company from that known to the Holders at the time of their request and have withdrawn the request with reasonable promptness following disclosure by the Company of such material adverse change, then the Holders shall not be required to pay any of such expenses and shall retain their rights pursuant to Sections 1.2 and 1.4.

1.8 **Delay of Registration.**

No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.9 **Indemnification.**

In the event any Registrable Securities are included in a registration statement under this Section 1:
To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, members, officers, directors and stockholders of each Holder, legal counsel and accountants for each Holder, any underwriter (as defined in the Act) for such Holder and each Person, if any, who controls such Holder or underwriter within the meaning of the Act or the 1934 Act, against any losses, claims, damages or liabilities (joint or several) to which they may become subject under the Act, the 1934 Act, any state securities laws or any rule or regulation promulgated under the Act, the 1934 Act or any state securities laws, insofar as such losses, claims, damages, or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a “Violation”): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus, final prospectus, or Free Writing Prospectus contained therein or any amendments or supplements thereto, any issuer information (as defined in Rule 433 of the Act) filed or required to be filed pursuant to Rule 433(d) under the Act or any other document incident to such registration prepared by or on behalf of the Company or used or referred to by the Company, (ii) the omission or alleged omission to state in such registration statement a material fact required to be stated therein, or necessary to make the statements therein not misleading or (iii) any violation or alleged violation by the Company of the Act, the 1934 Act, any state securities laws or any rule or regulation promulgated under the Act, the 1934 Act or any state securities laws, and the Company will reimburse each such Holder, underwriter, controlling Person or other aforementioned Person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, proceeding or action as such expenses are incurred; provided, however, that the indemnity agreement contained in this subsection l.9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, proceeding or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability, proceeding or action to the extent that it arises out of or is based upon a Violation that occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter, controlling Person or other aforementioned Person.

To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each Person, if any, who controls the Company within the meaning of the Act, legal counsel and accountants for the Company, any underwriter, any other Holder selling securities in such registration statement and any controlling Person of any such underwriter or other Holder, against any losses, claims, damages or liabilities (joint or several) to which any of the foregoing Persons may become subject, under the Act, the 1934 Act, any state securities laws or any rule or regulation promulgated under the Act, the 1934 Act or any state securities laws, insofar as such losses, claims, damages or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any Person intended to be indemnified pursuant to this subsection l.9(b) for any legal or other expenses reasonably incurred by such Person in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the indemnity agreement contained
in this subsection 1.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder (which consent shall not be unreasonably withheld), and provided that in no event shall any indemnity under this subsection 1.9(b) exceed the net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.9 of notice of the commencement of any action or proceeding (including any governmental action or proceeding) for which a party may be entitled to indemnification, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.9, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one (1) separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action or proceeding, if prejudicial to its ability to defend such action or proceeding, shall relieve such indemnifying party of liability to the indemnified party under this Section 1.9 to the extent of such prejudice, but the omission to so deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.9.

(d) If the indemnification provided for in this Section 1.9 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to herein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and the indemnified party on the other hand in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations; provided, however, that (i) no contribution by any Holder, when combined with any amounts paid by such Holder pursuant to Section 1.9(b), shall exceed the net proceeds from the offering received by such Holder and (ii) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation; and provided further that in no event shall a Holder’s liability pursuant to this Section 1.9(d), when combined with the amounts paid or payable by such Holder pursuant to Section 1.9(b), exceed the proceeds from the offering received by such Holder (net of any expenses paid by such Holder). The relative fault of the indemnifying party and the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties’ relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.
Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

The obligations of the Company and Holders under this Section 1.9 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1 and otherwise.

1.10 Reports Under the 1934 Act.

With a view to making available to the Holders the benefits of Rule 144 and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144, at all times after the effective date of the Initial Offering;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Act and the 1934 Act; and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144 (at any time after ninety (90) days after the effective date of the first registration statement filed by the Company), the Act and the 1934 Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company and (iii) such other information as may be reasonably requested to avail any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration or pursuant to such form.

1.11 Assignment of Registration Rights.

The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned (but only with all related obligations) by a Holder to a transferee or assignee of such securities that (a) is an Affiliate, subsidiary, parent, partner, limited partner, retired partner, member or stockholder of a Holder, (b) is a Holder’s family member or trust for the benefit of an individual Holder, or (c) after such assignment or transfer, holds at least 100,000 shares of Registrable Securities (appropriately adjusted for any stock split, dividend, combination or other recapitalization), provided: (i) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; (ii) such transferee or assignee agrees in writing to be bound by and subject to the terms and conditions of this Agreement, including, without limitation, the provisions of Section 1.13 below; and (iii) such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Act.
1.12 **Limitations on Subsequent Registration Rights.**

From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders holding 60% of the Registrable Securities then held by all Holders, enter into any agreement with any holder or prospective holder of any securities of the Company that would allow such holder or prospective holder (a) to include any of such securities in any registration filed under Section 1.2, Section 1.3 or Section 1.4 hereof, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the amount of the Registrable Securities of the Holders that are included or (b) to demand registration of their securities.

1.13 **“Market Stand-Off” Agreement.**

(a) Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the Company’s Initial Offering and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (180) days) (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock held immediately prior to the effectiveness of the Registration Statement for such offering, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise. The foregoing provisions of this Section 1.13 shall apply only to the Company’s initial offering of equity securities and shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall only be applicable to the Holders if all officers, directors and greater than one percent (1%) stockholders of the Company enter into similar agreements. The underwriters in connection with the Company’s Initial Offering are intended third-party beneficiaries of this Section 1.13 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Each Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in the Company’s Initial Offering that are consistent with this Section 1.13 or that are necessary to give further effect thereto. Any discretionary waiver or termination of the restrictions of any or all of such agreements by the Company or the underwriters shall apply to all Holders subject to such agreements pro rata based on the number of shares subject to such agreements.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Holder (and the shares or securities of every other Person subject to the foregoing restriction) until the end of such period. Notwithstanding the foregoing, if (i) during the last seventeen (17) days of the one hundred and eighty (180)-day restricted period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or (ii) prior to the expiration of the one hundred and eighty (180)-day restricted period, the Company announces that it will release earnings results during the sixteen (16)-day period beginning on the last day of the one hundred eighty (180)-day...
period, the restrictions imposed by this Section 1.13 shall continue to apply until the expiration of the eighteen (18)-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

(b) Each Holder agrees that a legend reading substantially as follows shall be placed on all certificates representing all Registrable Securities of each Holder (and the shares or securities of every other Person subject to the restriction contained in this Section 1.13):

THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SHARES MAY NOT BE SOLD, PLEDGED, OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR A VALID EXEMPTION FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT.

THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

1.14 Termination of Registration Rights.

No Holder shall be entitled to exercise any right provided for in this Section 1 (a) after four (4) years following the consummation of the Initial Offering, (b) as to any Holder, such earlier time after the Initial Offering at which such Holder (i) can sell all shares held by it in compliance with Rule 144(b)(1)(i) or (ii) holds one percent (1%) or less of the Company’s outstanding Common Stock and all Registrable Securities held by such Holder (together with any Affiliate of the Holder with whom such Holder must aggregate its sales under Rule 144) can be sold in any three (3) month period without registration in compliance with Rule 144 or (c) after the consummation of a Liquidation Event, as that term is defined in the Restated Certificate.

2. Covenants of the Company.

2.1 Delivery of Financial Statements.

The Company shall deliver to each stockholder that holds at least 380,000 shares of Common Stock of the Company, on an as-converted basis (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like) (a “Major Holder”), provided that the Board of Directors has not reasonably determined that such Major Holder is a competitor of the Company (for the sake of clarity, (i) a Major Holder that is a venture capital fund or similar investment fund or entity shall not be deemed to be a competitor of the Company due to an investment in a portfolio company that is a competitor to the Company; (ii) each of GV 2016, L.P., and GV 2019, L.P. or any of their affiliated funds shall not be deemed to be a competitor solely as a result of any affiliation between such funds and Alphabet, Inc. (including any Affiliate of Alphabet, Inc.); (iii) Allianz Strategic Investments s.a.r.l. or any of its Affiliates shall not be deemed to be a competitor, (iv) Harel Insurance Company Ltd. or any of its Affiliates shall not be deemed to be a competitor and (v) SoftBank Group Capital Limited or any of its Affiliates shall not be deemed to be a competitor):
as soon as practicable, in any event within one hundred twenty (120) days after the end of each fiscal year of the Company, an income statement for such fiscal year, a balance sheet of the Company and statement of stockholders’ equity as of the end of such year, and a statement of cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, United States dollar-denominated, prepared in accordance with United States generally accepted accounting principles ("GAAP"), audited by one of the “big four” accounting firms (the “CPA”) or any other accounting firm which may be deemed acceptable by the Investors, and accompanied by an opinion of such firm which opinion shall state that such balance sheet and statements of income and cash flow have been prepared in accordance with GAAP applied on a basis consistent with that of the preceding fiscal year, and present fairly and accurately the financial position of the Company as of their date subject to (x) being no footnotes contained therein and (y) changes resulting from year-end audit adjustments, and all reviewed by the CPA, unless such CPA review is waived, in whole or in part, by the Company’s board of directors, including a Preferred Director Approval (as defined in the Restated Certificate);
to be a competitor of the Company due to an investment in a portfolio company that is a competitor to the Company; (ii) each of GV 2016, L.P. and GV 2019, L.P. or any of their affiliated funds shall not be deemed to be a competitor solely as a result of any affiliation between such funds and Alphabet, Inc. (including any Affiliate of Alphabet, Inc.); (iii) Allianz Strategic Investments s.a.r.l. or any of its Affiliates shall not be deemed to be a competitor, (iv) Harel Insurance Company Ltd. or any of its Affiliates shall not be deemed to be a competitor, (v) XL Innovate Partners, L.P. or any of its Affiliates shall not be deemed to be a competitor and (vi) SoftBank Group Capital Limited or any of its Affiliates shall not be deemed to be a competitor), a right of first offer with respect to future sales by the Company of its Shares (as hereinafter defined). For purposes of this Section 2.4, the term “Major Holder” includes any general partners and Affiliates of a Major Holder. A Major Holder shall be entitled to apportion the right of first offer hereby granted among itself and its partners and Affiliates in such proportions as it deems appropriate.

Each time the Company proposes to offer any shares of, or securities convertible into or exchangeable or exercisable for any shares of, its capital stock (“Shares”), the Company shall first make an offering of such Shares to each Major Holder in accordance with the following provisions:

(a) The Company shall deliver a notice in accordance with Section 3.5 (“Notice”) to the Major Holder stating (i) its bona fide intention to offer such Shares, (ii) the number of such Shares to be offered and (iii) the price and terms upon which it proposes to offer such Shares.

(b) By written notification received by the Company within fifteen (15) calendar days after the giving of Notice, each Major Holder may elect to purchase, at the price and on the terms specified in the Notice, up to that portion of such Shares that equals the proportion that the number of shares of Common Stock that are Registrable Securities issued and held by such Major Holder (assuming full conversion and exercise of all convertible and exercisable securities then outstanding) bears to the total number of shares of Common Stock of the Company then outstanding (assuming full conversion and exercise of all convertible and exercisable securities then outstanding). The Company shall promptly, in writing, inform each Major Holder that elects to purchase all the shares available to it (a “Fully-Exercising Holder”) of any other Major Holder’s failure to do likewise. During the ten (10) day period commencing after such information is given, each Fully-Exercising Holder may elect to purchase that portion of the Shares for which Major Holders were entitled to subscribe, but which were not subscribed for by the Major Holders, that is equal to the proportion that the number of shares of Registrable Securities issued and held by such Fully-Exercising Holder bears to the total number of shares of Common Stock issued and held, or issuable upon conversion of the Preferred Stock then held, by all Fully-Exercising Holders who wish to purchase some of the unsubscribed shares.

(c) If all Shares that Major Holders are entitled to obtain pursuant to subsection 2.4(b) are not elected to be obtained as provided in subsection 2.4(b) hereof, the Company may, during the ninety (90) day period following the expiration of the period provided in subsection 2.4(b) hereof, offer the remaining unsubscribed portion of such Shares to any Person or Persons at a price not less than that, and upon terms no more favorable to the offeree than those, specified in the Notice. If the Company does not enter into an agreement for the sale of the Shares within such period, or if such agreement is not consummated within sixty (60) days of the
execution thereof, the right provided hereunder shall be deemed to be revived and such Shares shall not be offered unless first reoffered to the Major Holders in accordance herewith.

(d) The right of first offer in this Section 2.4 shall not be applicable to (i) Exempted Securities (as defined in Section 4(d)(ii) of Article IV(B) of the Restated Certificate), and (ii) the issuance of securities pursuant to an underwritten public offering of shares of Common Stock registered under the Act. In addition to the foregoing, the right of first offer in this Section 2.4 shall not be applicable with respect to any Major Holder in any subsequent offering of Shares if (i) at the time of such offering, the Major Holder is not an "accredited investor," as that term is then defined in Rule 501(a) of the Act and (ii) such offering of Shares is otherwise being offered only to accredited investors.

(e) The rights provided in this Section 2.4 may not be assigned or transferred by any Major Holder; provided, however, that a Major Holder that is (i) XL Innovate Fund, L.P., or (ii) a venture capital fund or similar investment fund or entity may assign or transfer such rights to its Affiliates.

(f) The covenants set forth in this Section 2.4 shall terminate and be of no further force or effect upon the consummation of (i) a Qualified Public Offering (as defined in Section 4(b) of Article IV(B) of the Restated Certificate) or (ii) a Liquidation Event, as that term is defined in the Restated Certificate.

2.5 Proprietary Information and Inventions Agreements.

The Company shall require all employees and consultants with access to confidential information to execute and deliver a Proprietary Information and Inventions Agreement in substantially the form approved by the Company’s Board of Directors or a consulting agreement containing substantially similar proprietary rights assignment and confidentiality provisions.

2.6 Employee Agreements.

Unless approved by the Board of Directors of the Company (including the Preferred Director Approval), all future employees of or consultants to the Company who shall purchase, or receive options to purchase, shares of Common Stock following the date hereof shall be required to execute stock purchase or option agreements providing for (a) vesting of shares over a four (4) year period with the first twenty five percent (25%) of such shares vesting following twelve (12) months of continued employment or services, and the remaining shares vesting in equal monthly installments over the following thirty six (36) months thereafter and (b) a one hundred and eighty (180)-day lockup period (plus an additional period of up to eighteen (18) days) in connection with the Company’s initial public offering. The Company shall retain a right of first refusal on transfers until the Company’s initial public offering and the right to repurchase unvested shares at cost. The Company shall not provide for the acceleration of vesting, or agree to provide acceleration of vesting, with respect to any shares of Common Stock, or options to purchase shares of Common Stock, unless such acceleration of vesting is approved by the Board of Directors (including the Preferred Director Approval). Unless approved by the Board of Directors of the Company (including the Preferred Director Approval), Company shall not enter into any agreement with any
employee or potential employee of the Company regarding employment other than "at will" or any obligation on the part of the Company to pay severance other than as is required by applicable law.

2.7 **Board Matters.**

(A) The Company hereby covenants and agrees with each of the Investors that it shall not, without approval of the Board of Directors, including a Preferred Director Approval:

(a) approve the annual budget and operating plan of the Company or approve any material deviation therefrom;

(b) create or register a pledge or other security interest over any material asset of the Company or any of its subsidiaries;

(c) hire, terminate, or change the compensation of any executive officers or any member of the senior management team of the Company or any subsidiary, including approving any option grants or stock awards to executive officers of the Company or any subsidiary;

(d) make, or permit the Company or any subsidiary to make, any loan or advance to any person, including, without limitation, any employee or director of the Company or any subsidiary, except advances and similar expenditures in the ordinary course of business or under the terms of an employee stock or option plan approved by the Board of Directors; or

(e) permit the payment of the exercise price of any option to purchase shares of Common Stock or otherwise permit the payment of the purchase price of any shares of Common Stock by way of issuance of a promissory note (an “Equity Purchase Note”), modify any term or condition of any Equity Purchase Note, or forgive or cancel any indebtedness outstanding under any Equity Purchase Note.

(B) The Company hereby covenants and agrees with each of the Investors that it shall not, without approval of the Board of Directors, which approval shall include the approval of the Series C Director (as defined in the Restated Certificate):

(a) make any material change to the principal business of the Company or any of its subsidiaries;

(b) effect any redemption, purchase or other form of acquisition of (or paying into or setting aside for a sinking fund for such purpose) any shares of capital stock (other than at the lower of cost or fair market value from service providers upon termination of service pursuant to contractual rights of repurchase); or

(c) pay or declare any dividend or other distributions on shares of capital stock of the Company.

(C) The Company hereby covenants and agrees with each of the Investors that it shall not, without approval of the Board of Directors, which approval must include a Preferred Director Approval:
Director Approval) issue, cause or permit the issuance of any share or other securities of any subsidiary of the Company (other than to the Company or to a wholly owned subsidiary of the Company).

(D) The Company shall reimburse the Company’s directors for all reasonable out-of-pocket travel expenses incurred (consistent with the Company’s travel policy) in connection with attending meetings of the Board of Directors.

(E) It is hereby agreed that the Company’s Board of Directors shall meet at least on a quarterly basis.

2.8 Indemnification Matters.

The Company hereby acknowledges that one (1) or more of the directors nominated to serve on the Board of Directors by the Investors (each a “Fund Director”) may have certain rights to indemnification, advancement of expenses and/or insurance provided by one or more of the Investors and certain of their Affiliates (collectively, the “Fund Indemnitors”). The Company hereby agrees (a) that it is the indemnitor of first resort (i.e., its obligations to any such Fund Director are primary and any obligation of the Fund Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by such Fund Director are secondary), (b) that it shall be required to advance the full amount of expenses incurred by such Fund Director and shall be liable for the full amount of all expenses, judgments, penalties, fines and amounts paid in settlement by or on behalf of any such Fund Director to the extent legally permitted and as required by the Restated Certificate or Bylaws of the Company (or any agreement between the Company and such Fund Director), without regard to any rights such Fund Director may have against the Fund Indemnitors, and, (c) that it irrevocably waives, relinquishes and releases the Fund Indemnitors from any and all claims against the Fund Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Fund Indemnitors on behalf of any such Fund Director with respect to any claim for which such Fund Director has sought indemnification from the Company shall affect the foregoing and the Fund Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of such Fund Director against the Company.

2.9 Confidentiality.

Each Investor and Major Holder agrees, severally and not jointly, to use the same degree of care as such Investor uses to protect its own confidential information for any information obtained pursuant to Section 2.1 or Section 2.2 hereof and such Investor or Major Holder acknowledges that it will not, unless otherwise required by law or the rules of any national securities exchange, association or marketplace, disclose such information without the prior written consent of the Company except such information that (a) was in the public domain prior to the time it was furnished to such Investor, (b) is or becomes (through no willful improper action or inaction by such Investor) generally available to the public, (c) was in its possession or known by such Investor without restriction prior to receipt from the Company, (d) was rightfully disclosed to such Investor by a third party without restriction or (e) was independently developed without any use of the Company’s confidential information. Notwithstanding the foregoing, each Investor or Major
Holder that is a limited partnership or limited liability company may disclose such proprietary or confidential information to any former partners or members who retained an economic interest in such Investor, current or prospective partner of the partnership or any subsequent partnership under common investment management, limited partner, general partner, member or management company of such Investor (or any employee or representative of any of the foregoing) (each of the foregoing Persons, a “Permitted Disclosee”), if such Permitted Disclosee agrees to be bound by the provisions of this Section 2.9 or is bound pursuant to substantially similar confidentiality obligations, or legal counsel and accountants of such Investor or Major Holder. Furthermore, nothing contained herein shall prevent any Investor or any Permitted Disclosee from (i) entering into any business, entering into any agreement with a third party, or investing in or engaging in investment discussions with any other company (whether or not competitive with the Company), provided that such Investor, Major Holder or Permitted Disclosee does not, except as permitted in accordance with this Section 2.9, disclose or otherwise make use of any proprietary or confidential information of the Company in connection with such activities, or (ii) making any disclosures required by law, rule, regulation or court or other governmental order.

2.10   Foreign Corrupt Practices Act

The Company represents that it shall not and shall not permit any of its subsidiaries or Affiliates or any of its or their respective directors, officers, managers, employees, independent contractors, representatives or agents to promise, authorize or make any payment to, or otherwise contribute any item of value to, directly or indirectly, to any third party, including any non-U.S. official, in each case, in violation of the U.S. Foreign Corrupt Practices Act (the “FCPA”), the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. The Company further represents that it shall and shall cause each of its subsidiaries and Affiliates to cease all of its or their respective activities, as well as remediate any actions taken by the Company, its subsidiaries or Affiliates, or any of their respective directors, officers, managers, employees, independent contractors, representatives or agents in violation of the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. The Company further represents that it shall and shall cause each of its subsidiaries and Affiliates to maintain systems of internal controls (including, but not limited to, accounting systems, purchasing systems and billing systems) to ensure compliance with the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law.

2.11   Use of Name

The Company shall not and shall cause its subsidiaries not to use the name of an Investor (or the name of any Affiliate of an Investor) in any press release, published notice or other publication relating to such Investor’s investment in the Company without the prior written consent of such Investor. For the avoidance of doubt, the Company may advise its tax, legal or other professional advisors, other investors and prospective investors of the fact of such Investor’s investment in the Company, provided that such persons are obligated to keep such information confidential, and may make any other disclosure regarding such Investor’s investment in the Company required by law or legal process.
2.12 **Termination of Certain Covenants**

The covenants set forth in Sections 2.5, 2.6, and 2.7 shall terminate and be of no further force or effect upon the consummation of (a) the Initial Offering or (b) a Liquidation Event, as that term is defined in the Restated Certificate.

2.13 **Right to Conduct Activities.**

The Company hereby agrees and acknowledges that certain of the Investors and their Affiliates are professional investment funds or make investments similar in nature to that contemplated by the Series D Agreement (“Fund Investors”), and as such invest in numerous portfolio companies, some of which may be deemed competitive with the Company’s business (as currently conducted or as currently proposed to be conducted). The Company hereby agrees that, to the extent permitted under applicable law, no such Fund Investor shall be liable to the Company for any claim arising out of, or based upon, (i) the investment by such Fund Investor in any entity competitive with the Company, or (ii) actions taken by any partner, officer or other representative of such Fund Investor to assist any such competitive company, whether or not such action was taken as a member of the board of directors of such competitive company or otherwise, and whether or not such action has a detrimental effect on the Company; provided, however, that the foregoing shall not relieve (x) any Fund Investors from liability associated with the breach of Section 2.9, or (y) any director or officer of the Company from any liability associated with his or her fiduciary duties to the Company. For the avoidance of doubt, the Company agrees that SoftBank Group Capital Limited, GV 2016, L.P., GV 2019, L.P., Allianz Strategic Investments s.a.r.l., XL Innovate Partners, L.P. and Harel Insurance Company Ltd. are Fund Investors.

2.14 **Real Property Holding Corporation.**

If at any time the Company determines that it is a “United States real property holding corporation” as defined in Section 897(c)(2) of the Internal Revenue Code of 1986, as amended (a “USRPHC”), it shall promptly inform each Major Holder in writing of such determination. In addition, upon a Major Holder’s request, the Company shall promptly determine whether or not it is a USRPHC and shall promptly inform such Major Holder in writing of such determination.

3. **Miscellaneous.**

3.1 **Successors and Assigns.**

Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties (including transferees of any shares of Registrable Securities). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

3.2 **Governing Law.**

This Agreement shall be governed by and construed under the laws of the State of New York as applied to agreements among New York residents entered into and to be performed entirely within New York.
3.3 **Counterparts; Facsimile.**

This Agreement may be executed and delivered by facsimile or electronic signature and in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one (1) and the same instrument.

3.4 **Titles and Subtitles.**

The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

3.5 **Notices.**

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed effectively given upon the earlier to occur of actual receipt or: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the respective parties at the addresses set forth on the signature pages attached hereto (or at such other addresses as shall be specified by notice given in accordance with this Section 3.5).

3.6 **Expenses.**

If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys’ fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

3.7 **Entire Agreement; Amendments and Waivers.**

Upon the effectiveness of this Agreement, the Prior Agreement shall be deemed amended and restated and superseded and replaced in its entirety by this Agreement, and shall be of no further force or effect. This Agreement (including the Exhibits hereto, if any) constitutes the full and entire understanding and agreement among the parties with regard to the subjects hereof and thereof. Any term of this Agreement (other than Section 2.1, Section 2.2, Section 2.3, Section 2.4 and Section 2.7(B)) may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the Investors holding at least sixty percent (60%) of the Registrable Securities held by the Investors; provided that if such amendment or waiver disproportionately and materially adversely affects any Major Holder or holder of Preferred Stock, then the consent of such holder shall also be required. The provisions of Section 2.1, Section 2.2, Section 2.3 and Section 2.4 may be amended or waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the Major Investors holding at least sixty percent (60%) of the Registrable Securities that are held by all of the Major Investors (excluding the Key Holders); provided, however, that the definition of “Major Holder” in Section 2.1 may be amended only with the consent of the Company, the Major Investors holding at least sixty percent (60%) of the Registrable Securities that are held by all of
the Major Investors and the Key Holders and provided, further if such amendment to the definition of “Major Holder” or “Major Investor” results in any Major Holder or Major Investor no longer being considered a “Major Holder” or a “Major Investor,” then the consent of such Major Holder or Major Investor shall also be required; provided, however, that in the event that the right of first offer set forth in Section 2.4 is waived with respect to the issuance of any Shares and any Major Holder participates in such financing, then all other Major Holders shall have the right to purchase their pro rata portion of the new issuance of equity securities sold in such financing (based on the level of participation of the Major Holder purchasing the largest portion of such Major Holder’s pro rata share) unless waived or consented to by such Major Holder. If any such amendment or waiver disproportionately and materially adversely affects any Major Holder or holder or series of Preferred Stock, then the consent of such Major Holder or such holder or the holders of a majority of such series of Preferred Stock shall also be required. For the purposes of this Section 3.7, the term “Major Investor” shall mean any Investor who holds at least 380,000 shares of Common Stock of the Company, on an as-converted basis (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like). The provisions of Section 2.7(B) may be amended or waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and holders of a majority of the Common Stock issued or issuable upon conversion of Series C Preferred Stock. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Registrable Securities, each future holder of all such Registrable Securities and the Company. Further, in the event that any amendment or waiver under this Section 3.7 adversely affects the obligations or rights of the Key Holders in a different manner than the other Holders, such amendment or waiver shall also require the written consent of the Key Holders holding at least a majority of the Registrable Securities held by the Key Holders.

3.8 Severability.

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

3.9 Aggregation of Stock.

All shares of Registrable Securities held or acquired by affiliated entities (including affiliated venture capital funds or venture capital funds under common investment management) or Persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

3.10 Amendment and Restatement of Prior Agreement. The Prior Agreement is hereby amended in its entirety and restated as provided herein. All provisions of, rights granted and covenants made in the Prior Agreement are hereby waived, released and superseded in their entirety and shall have no further force or effect, including, without limitation, all rights pursuant to Section 2.4 of the Prior Agreement to notice of or the right to participate in the offer and sale of shares of Series D Preferred Stock pursuant to the Series D Agreement.
3.11 Additional Investors. Notwithstanding anything to the contrary contained herein, if following the date hereof the Company issues additional shares of Series D Preferred Stock pursuant to the Series D Agreement, any purchaser of such Series D Preferred Stock shall become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement, and thereafter shall be deemed an “Investor” for all purposes hereunder. No action or consent by the Investors shall be required for such joinder to this Agreement by such additional Investor, so long as such additional Investor has agreed in writing to be bound by all of the obligations as an “Investor” hereunder.

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

COMPANY

By: /s/ Daniel Schreiber
Name: Daniel Schreiber
Title: Chief Executive Officer

Notice Address:
[ ]

SIGNATURE PAGE TO A&R INVESTORS’ RIGHTS AGREEMENT FOR LEMONADE, INC.
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

INVESTORS:

ALEPH, L.P.

By: Aleph Equity Partners, L.P.
   Its general partner
By: Aleph EP, Ltd.
   Its general partner
By: /s/ Michael Eisenberg
    Director

ALEPH-ALEPH, L.P.

By: Aleph Equity Partners, L.P.
   Its general partner
By: Aleph EP, Ltd.
   Its general partner
By: /s/ Michael Eisenberg
    Director

Notice Address:
[ ]

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INVESTORS:

SEQUOIA CAPITAL ISRAEL VENTURE V HOLDINGS L.P.

By: SC Israel Venture V Management, L.P.
    Its general partner
By: SC Israel Venture V (TTGP), Ltd.
    Its general partner
By: /s/ Haim Sadger
    Managing Director

Notice Address:
[ ]

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INVESTORS:

XL INNOVATE FUND, L.P.

By: /s/ G. Thompson Hutton
Name: G. Thompson Hutton
Title: Director

Notice Address:
[ ]

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

INVESTORS:

GENERAL CATALYST GROUP VIII, L.P.
By: General Catalyst Partners VIII, L.P.
its General Partner
By: General Catalyst GP VIII, LLC
its General Partner

By: /s/ Chris McCain
Name: Chris McCain
Title: Chief Legal Officer

GENERAL CATALYST GROUP VIII SUPPLEMENTAL, L.P.
By: General Catalyst Partners VIII, L.P.
its General Partner
By: General Catalyst GP VIII, LLC
its General Partner

By: /s/ Chris McCain
Name: Chris McCain
Title: Chief Legal Officer

Notice Address:
[ ]

SIGNATURE PAGE TO A&R INVESTORS' RIGHTS AGREEMENT FOR LEMONADE, INC.

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

INVESTORS:

THRIVE CAPITAL PARTNERS V, L.P.
By: THRIVE PARTNERS V GP, LLC,
its general partner

By: /s/ Joshua Kushner
Name:
Title:

CLAREMOUNT V ASSOCIATES, L.P.
By: THRIVE PARTNERS V GP, LLC,
its general partner

By: /s/ Joshua Kushner
Name:
Title:

Notice Address:
[ ]

Email:
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

GV 2016, L.P.

By: GV 2016 GP, L.P., its General Partner
By: GV 2016 GP, L.L.C, its General Partner

By: /s/ Daphne M. Chang
Name: Daphne M. Chang
Title: Authorized Signatory

GV 2019, L.P.

By: GV 2019 GP, L.P., its General Partner
By: GV 2019 GP, L.L.C., its General Partner

By: /s/ Daphne M. Chang
Name: Daphne M. Chang
Title: Authorized Signatory

Notice Address:
[ ]

SIGNATURE PAGE TO A&R INVESTORS' RIGHTS AGREEMENT FOR LEMONADE, INC.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

TUSK VENTURE PARTNERS I, L.P.

By:  
Name:  
Title:  

TUSK VENTURES, LLC

By:  
Name:  
Title:  

TUSK VENTURES I SPV, L.P.

By:  
Name:  
Title:  

TUSK VENTURES LEMONADE SPV II, LLC

By:  
Name:  
Title:  

Notice Address:

Email:
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

ALLIANZ STRATEGIC INVESTMENTS S.A.R.L

<table>
<thead>
<tr>
<th>By</th>
<th>/s/ Lars Junkermann</th>
<th>/s/ Alain Schaedgen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Lars Junkermann</td>
<td>Alain Schaedgen</td>
</tr>
<tr>
<td>Titles</td>
<td>Manager</td>
<td>Manager</td>
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</tbody>
</table>

Notice Address:
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SIGNATURE PAGE TO A&R INVESTORS’ RIGHTS AGREEMENT FOR LEMONADE, INC.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

SOUND VENTURES II, LLC

By: ____________________________
Name: __________________________
Title: __________________________

Notice Address: __________________________

Email: __________________________

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

INVESTORS:

ALEXA VON TOBEL

Notice Address: [ ]
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

ANNOX CAPITAL, LLC

By:  
Name:  
Title:  

Notice Address:  

Email:
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

ELEVATOR VENTURES HOLDINGS LTD.

By: __________________________________________
Name: _______________________________________
Title: _______________________________________

Notice Address:

Email:
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

MSR GLOBAL LIMITED

By: ____________________________
Name: __________________________
Title: __________________________

Notice Address:

Email:
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

LEMONADE 2019-I, LLC

By: /s/ Yan Piskunov

Name: Yan Piskunov

Title: Manager of Lemonade 34, LLC – the First Manager of Lemonade 2019-I, LLC

By: 

Name: 

Title: Director of Dream Ventures Ltd. – the Director of Gem Limited – the Second Managers of Lemonade 2019-I, LLC

Notice Address: [ ]

LEMONADE 2019-II, LLC

By: /s/ Yan Piskunov

Name: Yan Piskunov

Title: Manager of Lemonade 35, LLC – the Manager of Lemonade 2019-II, LLC

Notice Address: [ ]

SIGNATURE PAGE TO A&R INVESTORS’ RIGHTS AGREEMENT FOR LEMONADE, INC.

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

INVESTORS:

ORIT WININGER

/s/ Orit Wininger

Notice Address: [ ]
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

SHLOMO SCHINDELHEIM

/s/ Shlomo Schindelheim

Notice Address:
[ ]
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

SOFTBANK GROUP CAPITAL LIMITED

By: /s/ Robert Townsend
Name: Robert Townsend
Title: Director

Notice Address:

[ ]

SIGNATURE PAGE TO A&R INVESTORS' RIGHTS AGREEMENT FOR LEMONADE, INC.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

PUCCINI INVESTMENTS HOLDINGS LIMITED

By: ________________________________
Name: ________________________________
Title: ________________________________

Notice Address: ________________________________

Email: ________________________________
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

HAREL INSURANCE COMPANY LTD. (PARTICIPATING FUNDS)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

HAREL INSURANCE COMPANY LTD. (NOSTRO)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

TZAVA HAKEVA SAVING FUNDS — PROVIDENT FUNDS MANAGEMENT COMPANY LTD. (ON BEHALF OF TZVA HAKEVA SAVINGS FUND)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

LEATID PENSION FUNDS MANAGEMENT COMPANY LTD. (ON BEHALF OF ATIDIT PENSION FUND)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

Notice Address:

SIGNATURE PAGE TO A&R INVESTORS’ RIGHTS AGREEMENT FOR LEMONADE, INC.

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

INVESTORS:

HAREL PENSION AND PROVIDENT LTD. (ON BEHALF OF HAREL PENSION)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

HAREL PENSION AND PROVIDENT LTD. (ON BEHALF OF HAREL PROVIDENT FUND)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

HAREL PENSION AND PROVIDENT LTD. (ON BEHALF OF HAREL GENERAL PLAN)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

Notice Address:
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

HAREL PENSION AND PROVIDENT LTD. (ON BEHALF HAREL STUDY FUND)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

HAREL PENSION AND PROVIDENT LTD. (ON BEHALF OF HAREL PROVIDENT INVESTMENT)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

HAREL PENSION AND PROVIDENT LTD. (ON BEHALF OF HAREL PROVIDENT INVESTMENT OR CHILDREN)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

Notice Address:
[ ]

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

INVESTORS:

OURCROWD (INVESTMENT IN LEMON), L.P.
By: its general partner OurCrowd Israel General Partner, L.P. on behalf of its General Partner, OurCrowd International General Partner, L.P., on behalf of its general partner OurCrowd General Partner Limited

By: /s/ Josh Wolff (May 1, 2019) /s/ Cali Chill (May 1, 2019)
Name: Josh Wolff Cali Chill
Title: SVP SVP, General Counsel & Corporate Secretary

OURCROWD INTERNATIONAL INVESTMENT III, L.P.
By: its general partner OurCrowd Israel General Partner, L.P. on behalf of its General Partner, OurCrowd International General Partner, L.P., on behalf of its general partner OurCrowd General Partner Limited

By: /s/ Josh Wolff (May 1, 2019) /s/ Cali Chill (May 1, 2019)
Name: Josh Wolff Cali Chill
Title: SVP SVP, General Counsel & Corporate Secretary

OURCROWD 50 L.P.
By: its general partner OurCrowd Israel General Partner, L.P. on behalf of its General Partner, OurCrowd International General Partner, L.P., on behalf of its general partner OurCrowd General Partner Limited

By: /s/ Josh Wolff (May 1, 2019) /s/ Cali Chill (May 1, 2019)
Name: Josh Wolff Cali Chill
Title: SVP SVP, General Counsel & Corporate Secretary

Notice Address:
[ ]

SIGNATURE PAGE TO A&R INVESTORS' RIGHTS AGREEMENT FOR LEMONADE, INC.
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

KEY HOLDERS:

DANIEL SHREIBER

/s/ Daniel Shreiber
Notice Address:
[ ]

SHAI WININGER

/s/ Shai Wininger
Notice Address:
[ ]

SIGNATURE PAGE TO A&R INVESTORS' RIGHTS AGREEMENT FOR LEMONADE, INC.
Aleph, L.P.
Aleph-Aleph, L.P.
Sequoia Capital Israel Venture V Holdings, L.P.
XL Innovate Fund, L.P.
General Catalyst Group VIII, L.P.
General Catalyst Group VIII Supplemental, L.P.
Thrive Capital Partners V, L.P.
Claremont V Associates, L.P.
GV 2016, L.P.
GV 2019, L.P.
Tusk Venture Partners I LP
Tusk Ventures L SPV LP
Tusk Ventures LLC
Tusk Ventures Lemonade SPV II LLC
Sound Ventures II, LLC
Alexa von Tobel
Annox Capital, LLC (Delaware LLC)
Elevator Ventures Holdings Ltd.
MSR Global Limited
Orit Winingher
Shlomo Schindelheim
Allianz Strategic Investments s.a.r.l.
SoftBank Group Capital Limited
Puccini Holdings Investments Limited
OurCrowd (Investment in Lemon), L.P.
OurCrowd International Investment III, L.P.
OurCrowd 50, L.P.
Harel Insurance Company Ltd.
Harel Pension and Provident Ltd.
Tzava Hakeva Saving Funds — Provident Funds Management Company Ltd.
Lemonade 2019-I, LLC
Lemonade 2019-II, LLC
SCHEDULE B

SCHEDULE OF KEY HOLDERS

Daniel Schreiber
Shai Wininger
AMENDED AND RESTATED VOTING AGREEMENT

This AMENDED AND RESTATED VOTING AGREEMENT (the “Agreement”) is made and entered into as of June 26, 2019, by and among Lemonade, Inc., a Delaware corporation (the “Company”), the holders of the Company’s Series Seed Preferred Stock, par value $0.00001 per share (the “Series Seed Stock”), the holders of the Company’s Series A Preferred Stock, par value $0.00001 per share (the “Series A Stock”), the holders of the Company’s Series B Preferred Stock, par value $0.00001 per share (the “Series B Stock”), the holders of the Company’s Series C Preferred Stock, par value $0.00001 per share (the “Series C Stock”), the holders of the Company’s Series D Preferred Stock, par value $0.00001 per share (together, the “Series D Stock” and collectively with the Series Seed Stock, the Series A Preferred Stock, the Series B Stock and the Series C Stock, the “Preferred Stock”) listed on the Schedule of Investors attached as Schedule A hereto (together with any subsequent investors, or transferees, who become parties hereto as “Investors” pursuant to Sections 12.8 or 12.9 below, the “Investors”), the holders of the Company’s Common Stock (the “Common Stock”) listed on the Schedule of Key Holders attached as Schedule B hereto (together with any subsequent stockholders or option, warrant or other rights holder, or any transferee, who become parties hereto as “Key Holders” pursuant to Sections 12.8 or 12.9 below, the “Key Holders”), and the holders of Common Stock listed on the Schedule of Common Holders attached as Schedule C hereto (together with any subsequent stockholders or option, warrant or other rights holder, or any transferee, who become parties hereto as “Common Holders” pursuant to Sections 12.8 or 12.9 below, the “Common Holders”). The Investors, the Key Holders and the Common Holders are individually referred to herein as a “Stockholder” (and, together with the Company, a “Party”) and are collectively referred to herein as the “Stockholders” (and, together with the Company, the “Parties”). The Company’s Board of Directors is referred to herein as the “Board.”

RECITALS

WHEREAS, the Company’s Amended and Restated Certificate of Incorporation (as the same may be amended and/or restated from time to time, the “Certificate of Incorporation”) provides that holders of shares of Common Stock, voting as a separate class, shall elect two (2) members of the Board (the “Common Directors”), the holders of shares of the Series Seed Stock, voting as a separate class, shall elect two (2) members of the Board (the “Series Seed Directors”), the holders of shares of the Series A Stock, voting as a separate class, shall elect one (1) member of the Board (the “Series A Director”), the holders of shares of the Series B Stock, voting as a separate class, shall elect one (1) member of the Board (the “Series B Director”) and the holders of shares of the Series C Stock, voting as a separate class, shall elect one (1) member of the Board (the “Series C Director”);

WHEREAS, certain of the Investors (the “Existing Investors”), the Common Holders and the Key Holders are parties to the Amended and Restated Voting Agreement dated July 11, 2018 by and among the Company and the parties thereto (the “Prior Agreement”);

WHEREAS, SoftBank Group Capital Limited has delegated all its power and control over all shares of capital stock of the Company it owns to a Joint Investment Committee (as defined in the Series D Preferred Stock Purchase Agreement, dated as of April 8, 2019, by and among the Company and certain purchasers of shares of Series D Stock); and
WHEREAS, the parties to the Prior Agreement representing the required parties pursuant to Section 12.5 of the Prior Agreement desire to amend and restate the Prior Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, and certain other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Agreement to Vote.

   Each Investor, as a holder of Preferred Stock, hereby agrees, to hold all of the shares of Preferred Stock registered in its name and any other securities of the Company subsequently acquired by such Investor in the future (and any securities of the Company issued with respect to, upon conversion of, or in exchange or substitution for such shares or other securities) (hereinafter collectively referred to as the “Investor Shares”) subject to, and to vote the Investor Shares at a regular or special meeting of stockholders (or by written consent) in accordance with, the provisions of this Agreement; provided, however, that all voting rights and obligations in respect of shares of capital stock of the Company owned by SoftBank Group Capital Limited shall be exercised or performed by the Joint Investment Committee. Each Key Holder as a holder of Common Stock, hereby agrees on behalf of itself and any transferee or assignee of any such shares of Common Stock, to hold all of such shares registered in its name and any other securities of the Company subsequently acquired by such Key Holder in the future (and any securities of the Company issued with respect to, upon conversion of, or in exchange or substitution for such shares or other securities) (hereinafter collectively referred to as the “Key Holder Shares”) subject to, and to vote the Key Holder Shares at a regular or special meeting of stockholders (or by written consent) in accordance with, the provisions of this Agreement. Each Common Holder as a holder of Common Stock, hereby agrees on behalf of itself and any transferee or assignee of any such shares of Common Stock, to hold all of such shares registered in its name and any other securities of the Company subsequently acquired by such Common Holder in the future (and any securities of the Company issued with respect to, upon conversion of, or in exchange or substitution for such shares or other securities) (hereinafter collectively referred to as the “Common Holder Shares”) subject to, and to vote the Common Holder Shares at a regular or special meeting of stockholders (or by written consent) in accordance with, the provisions of this Agreement. The Investor Shares, the Key Holder Shares and the Common Holder Shares are hereinafter collectively referred to as the “Shares”.


2.1 Board Size.

   Each Stockholder shall vote, or cause to be voted, at a regular or special meeting of stockholders (or by written consent) all Shares owned by such Stockholder (or as to which such Stockholder has voting power) to ensure that the size of the Board shall be set and remain at nine (9) directors; provided, however, that such Board size may be subsequently increased or decreased pursuant to an amendment of this Agreement in accordance with Section 12.5 hereof and in accordance with the Company’s Amended and Restated Certificate of Incorporation.
2.2 Election of Directors.

(a) In any election of directors of the Company to elect the Common Directors, Stockholders holding shares of Common Stock shall each vote at any regular or special meeting of stockholders (or by written consent) all shares of Common Stock then owned by them (or as to which they then have voting power) to elect two (2) directors who shall be nominated by the holders of a majority of the then outstanding shares of Common Stock held by the Key Holders who are at such time providing services to the Company or any of its subsidiaries as officers, consultants or employees.

(b) In any election of directors of the Company to elect the Series Seed Directors, Stockholders holding shares of Series Seed Stock shall each vote at any regular or special meeting of stockholders (or by written consent) all shares of Series Seed Stock then owned by them (or as to which they then have voting power) to elect one (1) director nominated by Aleph, L.P and one (1) director nominated by Sequoia Capital Israel Venture V Holdings, L.P.

(c) In any election of directors of the Company to elect the Series A Director, Stockholders holding shares of Series A Stock shall each vote at any regular or special meeting of stockholders (or by written consent) all shares of Series A Stock then owned by them (or as to which they then have voting power) to elect one (1) director nominated by XL Innovate Fund, L.P. or its affiliates.

(d) In any election of directors of the Company to elect the Series B Director, Stockholders holding shares of Series B Stock shall each vote at any regular or special meeting of stockholders (or by written consent) all shares of Series B Stock then owned by them (or as to which they then have voting power) to elect one (1) director nominated by General Catalyst Group VIII, L.P. and General Catalyst Group VIII Supplemental, L.P. (together “General Catalyst Partners”) or their affiliates.

(e) In any election of directors of the Company to elect the Series C Director, Stockholders holding shares of Series C Stock shall each vote at any regular or special meeting of stockholders (or by written consent) all shares of Series C Stock then owned by them (or as to which they then have voting power) to elect one (1) director nominated by SoftBank Group Capital Limited or its affiliates.

(f) In addition, all Stockholders shall each vote at any regular or special meeting of stockholders (or by written consent) all shares then owned by them (or as to which they then have voting power) to elect up to two (2) directors nominated by the holders of a majority of the outstanding and issued shares of capital stock of the Company.

(g) In the absence of any nomination from the persons with the right to nominate a director as specified above, the director or directors previously nominated by such persons and then serving shall be reelected if still eligible to serve as provided herein.
2.3 Removal; Vacancies.

Any director of the Company may be removed from the Board in the manner allowed by law and the Certificate of Incorporation and Bylaws, but with respect to any director nominated pursuant to subsections 2.2(a), 2.2(b), 2.2(c), 2.2(d), 2.2(e) or 2.2(f) above, only upon the vote or written consent of the Stockholders (or other persons) entitled to nominate such director. Any vacancy created by the resignation, removal or death of a director elected pursuant to Section 2.2 above shall be filled pursuant to the provisions of Section 2.2.

3. Vote to Increase Authorized Common Stock.

Each Stockholder agrees to vote or cause to be voted all Shares owned by such Stockholder, or over which such Stockholder has voting control, from time to time and at all times, in whatever manner as shall be necessary to increase the number of authorized shares of Common Stock from time to time to ensure that there will be sufficient shares of Common Stock available for conversion of all of the shares of Preferred Stock outstanding at any given time.

4. Drag Along Right.

4.1 Actions to be Taken. In the event that the holders of 75% of the Preferred Stock and the Common Stock of the Company (voting together as a single class and on an as-converted basis) (which 75% must include (i) the holders of a majority of the outstanding Series C Stock or shares of Common Stock issued upon conversion of the Series C Stock if, as a result of the Sale of the Company (as defined below), the holders of the Series C Stock would receive from the proceeds of such Sale of the Company an amount less than the Original Issue Price (as defined in the Certificate of Incorporation) of the Series C Stock in respect of each share of Series C Stock held by them and (ii) the holders of a majority of the outstanding Series D Stock or shares of Common Stock issued upon conversion of the Series D Stock if, as a result of the Sale of the Company (as defined below), the holders of the Series D Stock would receive from the proceeds of such Sale of the Company an amount less than the Original Issue Price (as defined in the Certificate of Incorporation) of the Series D Stock in respect of each share of Series D Stock held by them) (collectively, the “Requisite Parties”) approve a transaction or series of related transactions that qualifies as a “Liquidation Event” as defined in the Certificate of Incorporation, including, without limitation, the closing of the transfer (whether by merger, consolidation or otherwise), in one transaction or a series of related transactions, to a person or group of affiliated persons (other than an underwriter of the Company’s securities), of the Company’s securities if, after such closing, such person or group of affiliated persons would hold 50% or more of the outstanding voting stock of the Company (or the surviving or acquiring entity) (a “Stock Sale”), (any such transaction or series of related transactions are referred to herein as a “Sale of the Company”), then each Stockholder hereby agrees with respect to all Shares which it owns(s) or over which it otherwise exercises voting or dispositive authority (with all such voting rights or dispositive authority in respect of shares of capital stock of the Company owned by SoftBank Group Capital Limited to be exercised by the Joint Investment Committee):

(a) in the event such transaction is to be brought to a vote at a stockholder meeting, after receiving proper notice of any meeting of stockholders of the Company, to vote on the approval of a Sale of the Company, to be present, in person or by proxy, as a holder
of shares of voting securities, at all such meetings and be counted for the purposes of determining the presence of a quorum at such meetings;

(b) to vote (in person, by proxy or by action by written consent, as applicable) all Shares in favor of such Sale of the Company and in opposition to any and all other proposals that could reasonably be expected to delay or impair the ability of the Company to consummate such Sale of the Company;

(c) to refrain from exercising any dissenters’ rights or rights of appraisal under applicable law at any time with respect to such Sale of the Company;

(d) to execute and deliver all related documentation and take such other action in support of the Sale of the Company as shall reasonably be requested by the Company;

(e) if the Sale of the Company is structured as a sale of stock of the Company, each Stockholder shall agree to sell his, her or its Shares on the terms and conditions approved by the Requisite Parties;

(f) not to deposit, and to cause their affiliates not to deposit, except as provided in this Agreement, any Shares owned by such Stockholder or affiliate in a voting trust or subject any such Shares to any arrangement or agreement with respect to the voting of such Shares, unless specifically requested to do so by the acquirer in connection with the Sale of the Company; and

(g) if the consideration to be paid in exchange for the Shares pursuant to this Section 4 includes any securities and due receipt thereof by any Stockholder would require under applicable law (i) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities or (ii) the provision to any Stockholder of any information other than such information as a prudent issuer would generally furnish in an offering made solely to “accredited investors” as defined in Regulation D promulgated under the Securities Act of 1933, as amended (the “Act”), the Company may cause to be paid to any such Stockholder in lieu thereof, against surrender of the Shares which would have otherwise been sold by such Stockholder, an amount in cash equal to the fair value (as determined in good faith by the Company) of the securities which such Stockholder would otherwise receive as of the date of the issuance of such securities in exchange for the Shares.

4.2 Exceptions. Notwithstanding the foregoing, a Stockholder will not be required to comply with Section 4.1 above in connection with any proposed Sale of the Company (the “Proposed Sale”) unless:

(a) any representations and warranties to be made by such Stockholder in connection with the Proposed Sale are limited to representations and warranties related to authority, ownership and the ability to convey title to such Stockholder’s Shares, including, without limitation, representations and warranties that (i) the Stockholder holds all right, title and interest in and to the Shares such Stockholder purports to hold, free and clear of all liens and encumbrances, (ii) the obligations of the Stockholder in connection with the transaction have been duly authorized, if applicable, (iii) the documents to be entered into by the Stockholder have
been duly executed by the Stockholder and delivered to the acquiror and are enforceable against the Stockholder in accordance with their respective terms and (iv) neither the execution and delivery of documents to be entered into in connection with the transaction, nor the performance of the Stockholder’s obligations thereunder, will cause a breach or violation of the terms of any agreement, law or judgment, order or decree of any court or governmental agency by which such Stockholder is subject or bound;

(b) the Stockholder shall not be liable for the inaccuracy of any representation or warranty made by any other person in connection with the Proposed Sale, other than the Company (except to the extent that funds may be paid out of an escrow established to cover breach of representations, warranties and covenants of the Company as well as breach by any stockholder of any identical representations, warranties and covenants provided by all stockholders);

(c) no Stockholder other than an employee or consultant of the Company shall be required to agree to any covenant not to compete or covenant not to solicit customers, employees or suppliers of any party to the Proposed Sale.

(d) the liability for indemnification, if any, of such Stockholder in the Proposed Sale and for the inaccuracy of any representations and warranties made by the Company in connection with such Proposed Sale, is several and not joint with any other person (except to the extent that funds may be paid out of an escrow established to cover breach of representations, warranties and covenants of the Company as well as breach by any stockholder of any identical representations, warranties and covenants provided by all stockholders), and, subject to any provisions of the Company’s Amended and Restated Certificate of Incorporation regarding the allocation of an escrow, is pro rata in proportion to the amount of consideration paid to such Stockholder in connection with such Proposed Sale (in accordance with the provisions of the Certificate of Incorporation);

(e) liability shall be limited to such Stockholder’s applicable share (determined based on the respective proceeds payable to each Stockholder in connection with such Proposed Sale in accordance with the provisions of the Certificate of Incorporation) of a negotiated aggregate indemnification amount that applies equally to all Stockholders but that in no event exceeds the amount of consideration otherwise payable to such Stockholder in connection with such Proposed Sale, except with respect to claims related to fraud by such Stockholder, the liability for which need not be limited as to such Stockholder;

(f) upon the consummation of the Proposed Sale, (i) each holder of each class or series of the Company’s stock will receive the same form of consideration for their shares of such class or series as is received by other holders in respect of their shares of such same class or series of stock, (ii) each holder of Series D Preferred Stock will receive the same amount of consideration per share of Series D Preferred Stock as is received by other holders in respect of their shares of Series D Preferred Stock, each holder of Series C Preferred Stock will receive the same amount of consideration per share of Series C Preferred Stock as is received by other holders in respect of their shares of Series C Preferred Stock, each holder of Series B Preferred Stock will receive the same amount of consideration per share of Series B Preferred Stock as is received by other holders in respect of their shares of Series B Preferred Stock, each holder of Series A
Preferred Stock will receive the same amount of consideration per share of Series A Preferred Stock as is received by other holders in respect of their shares of Series A Preferred Stock and each holder of Series Seed Preferred Stock will receive the same amount of consideration per share of Series Seed Preferred Stock as is received by other holders in respect of their shares of Series Seed Preferred Stock, (iii) each holder of Common Stock will receive the same amount of consideration per share of Common Stock as is received by other holders in respect of their shares of Common Stock, and (iv) the payment with respect to each Share is an amount at least equal to the amount payable in accordance with the Certificate of Incorporation, if such Proposed Sale were deemed a Liquidation Event therein, and is allocated among the Stockholders in accordance with the Certificate of Incorporation; and

subject to subsection 4.2(f) above, requiring the same form of consideration to be available to the holders of any single class or series of capital stock, if any holders of a series or class of capital stock of the Company are given an option as to the form and amount of consideration to be received as a result of the Proposed Sale, all holders of such series or class of capital stock will be given the same option; provided, however, that nothing in this subsection 4.2(g) shall entitle any holder to receive any form of consideration that such holder would be ineligible to receive as a result of such holder’s failure to satisfy any condition, requirement or limitation that is generally applicable to the Company’s stockholders.

4.3 Restrictions on Sales of Control of the Company. No Stockholder shall be a party to any Stock Sale unless all the holders of Preferred Stock are allowed to participate in such transaction and the consideration received pursuant to such transaction is allocated among the parties thereto in the manner specified in the Company’s Certificate of Incorporation in effect immediately prior to the Stock Sale (as if such transaction were deemed a Liquidation Event), unless the holders of at least sixty percent (60%) of the Preferred Stock elect otherwise by written notice given to the Company at least ten (10) days prior to the effective date of any such transaction or series of related transactions.

5. Legend on Share Certificates.

Each certificate representing any Shares shall be endorsed by the Company with a legend reading substantially as follows:

“THE SHARES EVIDENCED HEREBY ARE SUBJECT TO AN AMENDED AND RESTATED VOTING AGREEMENT, AS MAY BE AMENDED FROM TIME TO TIME, (A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST FROM THE COMPANY), AND BY ACCEPTING ANY INTEREST IN SUCH SHARES THE PERSON ACCEPTING SUCH INTEREST SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL THE PROVISIONS OF THAT VOTING AGREEMENT, INCLUDING CERTAIN RESTRICTIONS ON TRANSFER AND OWNERSHIP SET FORTH THEREIN.”


The Company will not, by any voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be performed hereunder by the Company.
7. **No Liability for Election of Recommended Directors.**

Neither any Party to this Agreement, nor any officer, director, stockholder, partner, employee or agent of any such Party, makes any representation or warranty as to the fitness or competence of the nominee of any Party hereunder to serve on the Board by virtue of such Party’s execution of this Agreement or by the act of such Party in voting for such nominee pursuant to this Agreement.

8. **Grant of Proxy.**

Each Stockholder hereby grants to a stockholder designated by the Board a proxy coupled with an interest in all Shares owned by such Stockholder, which proxy shall be irrevocable until this Agreement terminates pursuant to its terms or this Section 8 is amended to remove such grant of proxy in accordance with Section 12.5 hereof, to vote all such Shares in the manner provided in Sections 2, 3 and 4 hereof upon the failure of such Stockholder to vote its Shares in accordance with the terms of this Agreement. Each Stockholder hereby revokes any and all previous proxies or powers of attorney with respect to such Stockholder’s Shares that are inconsistent with the terms of this Agreement and shall not hereafter, until this Agreement terminates pursuant to its terms or this Section 8 is amended to remove this provision in accordance with Section 12.5 hereof, grant, or purport to grant, any other proxy or power of attorney with respect to such Shares, deposit any of such Shares into a voting trust or enter into any agreement (other than this Agreement), arrangement or understanding with any person, directly or indirectly, to vote, grant any proxy or power of attorney or give instructions with respect to the voting of any of such Shares, in each case, with respect to any of the matters set forth in this Agreement. This Agreement is not a voting trust governed by Section 218 of the Delaware General Corporation Law and should not be interpreted as such.

9. **Specific Enforcement.**

It is agreed and understood that monetary damages would not adequately compensate an injured Party for the breach of this Agreement by any other Party, that this Agreement shall be specifically enforceable, and that any breach or threatened breach of this Agreement shall be the proper subject of a temporary or permanent injunction or restraining order. Further, each Party hereto waives any claim or defense that there is an adequate remedy at law for such breach or threatened breach.

10. **Execution by the Company.**

The Company, by its execution in the space provided below, agrees that it will cause the certificates evidencing the Shares issued after the date hereof to bear the legend required by Section 5 hereof, and it shall supply, free of charge, a copy of this Agreement to any holder of a certificate evidencing shares of capital stock of the Company upon written request from such holder to the Company at its principal office. The Parties hereto do hereby agree that the failure to cause the certificates evidencing the Shares to bear the legend required by Section 5 hereof and/or failure of the Company to supply, free of charge, a copy of this Agreement, as provided under this Section 10, shall not affect the validity or enforcement of this Agreement.
11. **Bad Actor Disqualification Representation.**

For purposes of this Agreement: “Company Covered Person” means, with respect to the Company as an “issuer” for purposes of Rule 506 promulgated under the Act, any person listed in the first paragraph of Rule 506(d)(1) under the Act; “Disqualified Designee” means any director designee to whom any Disqualification Event is applicable, except for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or (d)(3) of the Act is applicable; “Disqualification Event” means a “bad actor” disqualifying event described in Rule 506(d)(1)(i)-(viii) promulgated under the Act; “Rule 506(d) Related Party” means, with respect to any person, any other person that is a beneficial owner of such first person’s securities for purposes of Rule 506(d) under the Act.

Each Investor that is a Company Covered Person represents and warrants to the Company that it is not subject to any Disqualification Event, except, if applicable, for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or (d)(3) of the Act is applicable. Each Party with the right to designate or participate in the designation of a director pursuant to this Agreement represents that such Party has exercised reasonable care to determine whether any Disqualification Event is applicable to such Party, any director designee designated by such Party pursuant to this Agreement or any of such Party’s Rule 506(d) Related Parties, except, if applicable, for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or (d)(3) of the Act is applicable. Each Party with the right to designate or participate in the designation of a director pursuant to this Agreement represents that no Disqualification Event is applicable to such Party, to such Party’s knowledge any Board member designated by such Party pursuant to this Agreement or, to such Party’s knowledge any of such Party’s Rule 506(d) Related Parties, except, if applicable, for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or (d)(3) of the Act is applicable. The Company has exercised reasonable care to determine whether any Company Covered Person is subject to any of the “bad actor” Disqualification Events described in Rule 506(d)(1)(i) through (viii), as modified by Rules 506(d)(2) and (d)(3), under the Act. To the Company’s knowledge, no Company Covered Person is subject to a Disqualification Event except for a Disqualification Event as to which Rule 506(d)(2)(ii—iv) or (d)(3) of the Act is applicable. The Company has complied, to the extent required, with any disclosure obligations under Rule 506(e) under the Act.

Each Party with the right to designate or participate in the designation of a director pursuant to this Agreement covenants and agrees (i) not to designate or participate in the designation of any director designee who, to such Party’s knowledge, is a Disqualified Designee, (ii) to exercise reasonable care to determine at the time of designation whether any director designee designated by such Party is a Disqualified Designee, and (iii) that in the event such Party becomes aware that any individual previously designated by any such Party is or has become a Disqualified Designee, such Party shall as promptly as practicable take such actions as are necessary to remove such Disqualified Designee from the Board and designate a replacement designee who is not a Disqualified Designee.
12. Miscellaneous.

12.1 Titles and Subtitles.

The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

12.2 Notices.

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed effectively given upon the earlier to occur of: (a) upon personal delivery to the Party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; or if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the respective Parties at the addresses set forth on the signature pages attached hereto (or at such other addresses as shall be specified by notice given in accordance with this Section 12.2).

12.3 Term.

This Agreement shall terminate and be of no further force or effect upon the earliest to occur of: (a) the consummation of the Company’s sale of its Common Stock or other securities in a firm commitment underwritten public offering pursuant to a registration statement under the Securities Act of 1933, as amended (other than a registration statement relating either to sale of securities to employees of the Company pursuant to its stock option, stock purchase or similar plan or a SEC Rule 145 transaction), or (b) the consummation of a Liquidation Event (as defined in the Certificate of Incorporation).

12.4 Manner of Voting.

The voting of shares pursuant to this Agreement may be effected in person, by proxy, by written consent or in any other manner permitted by applicable law.

12.5 Amendments and Waivers.

Any term hereof may be amended and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the holders of a majority of the then outstanding Shares, which shall include the holders of at least sixty percent (60%) of the then outstanding Investor Shares (voting together as a single class on an as-converted basis); provided, however, that (i) Section 2.2(b), Section 2.3 and this clause (i) of this Section 12.5 may not be amended, terminated or waived without the prior written consent of Aleph, L.P. and Sequoia Capital Israel Venture V Holdings, L.P. as such clauses apply to them; (ii) the provisions of Section 2.2(a) and clause (ii) of this Section 12.5 may be amended and the observance of any term thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Stockholders holding a majority of the then outstanding shares of Common Stock held by the Key Holders then providing services to the Company or any of its subsidiaries as officers, consultants or employees, (iii) Section 2.2(c), Section 2.3 and this clause (iii) of this Section 12.5 may not be amended, terminated or waived without the prior written consent of XL Innovate Fund, L.P. as such clauses apply to it, (iv) Section 2.2(d), Section 2.3 and
this clause (iv) of this Section 12.5 may not be amended, terminated or waived without the prior written consent of General Catalyst Partners as such clauses apply to it, and (v) Section 2.2(e), Section 2.3 and this clause (v) of this Section 12.5 may not be amended, terminated or waived without the prior written consent of SoftBank Group Capital Limited as such clauses apply to it. In addition to the foregoing, if the proposed amendment or waiver disproportionately and materially adversely affects a holder or series of Preferred Stock, then the consent of such holder or the holders of a majority of the then outstanding shares of such series of Preferred Stock shall also be required to effectuate any such amendment or waiver. Any amendment or waiver so effected shall be binding upon all the Parties hereto and all Parties’ respective successors and permitted assigns, whether or not any such Party, successor or assign entered into or approved such amendment or waiver. Notwithstanding the foregoing, any provision hereof may be waived by the waiving Party on such Party’s behalf, without the written consent of any other Party.

12.6 Stock Splits, Stock Dividends, etc.

In the event of any issuance of shares of the Company’s voting securities hereafter to any of the Parties hereto (including, without limitation, in connection with any stock split, stock dividend, recapitalization, reorganization or the like), such shares shall become subject to this Agreement and shall be endorsed with the legend set forth in Section 5.

12.7 Severability.

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

12.8 Binding Effect on Transferees, Heirs, Successors and Assigns.

In addition to any restriction on transfer that may be imposed by any other agreement by which any Party hereto may be bound, no Stockholder may transfer any Shares subject to this Agreement unless the transferee(s) of such Shares has executed and delivered to the Company in advance an Adoption Agreement (as defined below). This Agreement shall be binding upon the Parties, their respective transferees (including transferees of Shares), heirs, successors and assigns; provided that, for any such transfer to be deemed effective, the transferee shall have executed and delivered to the Company in advance an Adoption Agreement substantially in the form attached hereto as Exhibit A (the “Adoption Agreement”). The Company shall not record any transfer of Shares on its books or issue a new certificate representing any such Shares unless and until such transferee shall have complied with the terms of this Section 12.8. Upon the execution and delivery of an Adoption Agreement by a transferee reasonably acceptable to the Company, and for the purposes hereof, an affiliate of XL Innovate Fund, L.P. shall be deemed reasonably acceptable with respect to any transfer by XL Innovate Fund, L.P. and an affiliate of SoftBank Group Capital Limited shall be deemed reasonably acceptable with respect to any transfer by SoftBank Group Capital Limited, such transferee shall be deemed to be a Party hereto as if such transferee were the transferor and such transferee’s signature appeared on the signature pages hereto and shall be deemed to be an Investor and Stockholder, or Key Holder and Stockholder, or Common Holder and Stockholder as applicable. By its execution hereof or of any
Adoption Agreement, each of the Stockholders appoints the Company as its attorney-in-fact for the purpose of executing any Adoption Agreement which may be required to be delivered hereunder. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the Parties hereto or their respective transferees, heirs, successors and assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

12.9 Additional Parties.

(a) Notwithstanding Section 12.5, no consent shall be necessary to add additional Investors as signatories to this Agreement, provided that such Investors have executed and delivered either an Adoption Agreement pursuant to Section 12.8 agreeing to be bound by and subject to the terms of this Agreement as an Investor and Stockholder hereunder. In either event, each such person thereafter shall be deemed an Investor and Stockholder for all purposes under this Agreement.

(b) In the event that after the date of this Agreement, the Company enters into an agreement with any person to issue shares of capital stock to such person, following which such person would hold Shares representing one percent (1%) or more of the Company’s then outstanding capital stock (treating for this purpose all shares of Common Stock issuable upon exercise or conversion of all then outstanding options, warrants or convertible securities (whether or not then exercisable or convertible) as outstanding), then (i) the Company shall cause such person, as a condition precedent to the issuance of such capital stock, to become a party to this Agreement by executing an Adoption Agreement substantially in the form attached hereto as Exhibit A, agreeing to be bound by and subject to the terms of this Agreement as a Common Holder and Stockholder hereunder and thereafter such person shall be deemed a Common Holder and Stockholder for all purposes under this Agreement and (ii) notwithstanding Section 12.5, no consent shall be necessary to add such person as a signatory to this Agreement.

12.10 Governing Law.

This Agreement shall be governed by and construed in accordance with the General Corporation Law of the State of Delaware as to matters within the scope thereof, and as to all other matters shall be governed by and construed in accordance with the internal laws of New York, without regard to conflicts of law principles thereof.

12.11 Entire Agreement.

Upon the effectiveness of this Agreement, the Prior Agreement shall be deemed amended and restated to read in its entirety as set forth in this Agreement. This Agreement (including the Schedules and Exhibits hereto) constitutes the full and entire understanding and agreement among the Parties with respect to the subject matter hereof and thereof, and supersedes all other agreements of the Parties relating to the subject matter hereof and thereof.

12
12.12 **Counterparts; Facsimile.**

This Agreement may be executed and delivered by facsimile signature and in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12.13 **Delays or Omissions.**

No delay or omission to exercise any right, power or remedy accruing to any Party under this Agreement, upon any breach or default of any other Party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting Party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence thereto, or of any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default previously or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any Party of any breach or default under this Agreement, or any waiver on the part of any Party of any provision or condition of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any Party, shall be cumulative and not alternative.

12.14 **Further Assurances.**

At any time or from time to time after the date hereof, the Parties agree to cooperate with each other, and at the request of any other Party, to execute and deliver any further instruments or documents and to take all such further action as the other Party may reasonably request in order to evidence or effectuate the consummation of the transactions contemplated hereby and to otherwise carry out the intent of the Parties hereunder.

12.15 **Aggregation.**

All Shares held or acquired by a Stockholder and/or its affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement, and such affiliated persons may apportion such rights as among themselves in any manner they deem appropriate. For the avoidance of doubt, SoftBank Vision Fund L.P., a limited partnership formed under the laws of Jersey, SoftBank Group Corp. and all persons or entities controlling, controlled by or under common control with either SoftBank Vision Fund L.P. or SoftBank Group Corp. are affiliates of each other.

12.16 **No Conflicting Agreements.**

Except for this Agreement, neither any of the Stockholders nor any affiliates thereof shall deposit any shares of capital stock of the Company beneficially owned by such Stockholder or affiliate in a voting trust or subject any such shares of capital stock to any arrangement or agreement with respect to the voting of such shares of capital stock.
12.17  Spousal Consent.

If any individual Stockholder is married on the date of this Agreement, such Stockholders’ spouse shall execute and deliver to the Company a Consent of Spouse in the form attached hereto as Exhibit B (“Consent of Spouse”), effective on the date hereof. Notwithstanding the execution and delivery thereof, such Consent of Spouse shall not be deemed to confer or convey to the spouse any rights in such Stockholder’s Shares that do not otherwise exist by operation of law or the agreement of the Parties. If any individual Stockholder should marry or remarry subsequent to the date of this Agreement, such Stockholder shall within thirty (30) days thereafter obtain his or her new spouse’s acknowledgement of and consent to the existence and binding effect of all restrictions contained in this Agreement by causing such spouse to execute and deliver a Consent of Spouse acknowledging the restrictions an obligations contained in this Agreement and agreeing and consenting to the same.

12.18  Effect on Prior Agreement. Upon the effectiveness of this Agreement, the Prior Agreement shall be deemed amended and restated and superseded and replaced in its entirety by this Agreement, and shall be of no further force or effect.

[Remainder of page intentionally left blank]
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

INVESTORS:

ALEPH, L.P.

By: Aleph Equity Partners, L.P.
    Its general partner
By: Aleph EP, Ltd.
    Its general partner
By: /s/ Michael Eisenberg
    Director

ALEPH-ALEPH, L.P.

By: Aleph Equity Partners, L.P.
    Its general partner
By: Aleph EP Ltd.
    Its general partner
By: /s/ Michael Eisenberg
    Director

Notice Address:

SIGNATURE PAGE TO A&R B VOTING AGREEMENT FOR LEMONADE, INC.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

SEQUOIA CAPITAL ISRAEL VENTURE V HOLDINGS L.P.

By: SC Israel Venture V Management, L.P.
   Its general partner
By: SC Israel Venture V (TTGP), Ltd.
   Its general partner
By: /s/ Haim Sadger
    Managing Director

Notice Address:
[ ]

SIGNATURE PAGE TO A&R VOTING AGREEMENT FOR LEMONADE, INC.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

XL INNOVATE FUND, L.P.

By: /s/ G. Thompson Hutton
Name: G. Thompson Hutton
Title: Director

Notice Address: [ ]

SIGNATURE PAGE TO A&R VOTING AGREEMENT FOR LEMONADE, INC.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

GENERAL CATALYST GROUP VIII, L.P.

By: General Catalyst Partners VIII, L.P.
   its General Partner

By: General Catalyst GP VIII, LLC
   its General Partner

By: /s/ Chris McCain
Name: Chris McCain
Title: Chief Legal Officer

GENERAL CATALYST GROUP VIII SUPPLEMENTAL, L.P.

By: General Catalyst Partners VIII, L.P.
   its General Partner

By: General Catalyst GP VIII, LLC
   its General Partner

By: /s/ Chris McCain
Name: Chris McCain
Title: Chief Legal Officer

Notice Address:
[ ]

SIGNATURE PAGE TO A&R VOTING AGREEMENT FOR LEMONADE, INC.

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

INVESTORS:

THRIVE CAPITAL PARTNERS V, L.P.

By: THRIVE PARTNERS V GP, LLC,
   its general partner

By: /s/ Joshua Kushner
Name: Joshua Kushner
Title: 

CLAREMOUNT V ASSOCIATES, L.P.

By: THRIVE PARTNERS V GP, LLC,
   its general partner

By: /s/ Joshua Kushner
Name: Joshua Kushner
Title: 

Notice Address: [ ]

Email: [ ]

SIGNATURE PAGE TO A&R VOTING AGREEMENT FOR LEMONADE, INC.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

GV 2016, L.P.
By: G V 2016 GP, L.P., its General Partner
By: G V 2016 GR L.L.C., its General Partner

By: /s/ Daphne Chang
Name: Daphne M. Chang
Title: Authorized Signatory

GV 2019, L.P.
By: G V 2019 GP, L.P., its General Partner
By: G V 2019 GP, L.L.C., its General Partner

By: /s/ Daphne Chang
Name: Daphne M. Chang
Title: Authorized Signatory

Notice Address: [ ]
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

TUSK VENTURE PARTNERS I LP

By: ____________________________________________
Name: __________________________________________
Title: __________________________________________

TUSK VENTURES LLC

By: ____________________________________________
Name: __________________________________________
Title: __________________________________________

TUSK VENTURES I SPV LP

By: ____________________________________________
Name: __________________________________________
Title: __________________________________________

TUSK VENTURES LEMONADE SPV II LLC

By: ____________________________________________
Name: __________________________________________
Title: __________________________________________

Notice Address:

Email:
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

SOUND VENTURES II, LLC

By:  
Name:  
Title:  

Notice Address:

Email:
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

ALEXA VON TOBEL

/s/ Alexa Von Tobel

Notice Address:

Email: [ ]

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

INVESTORS:

ANNOX CAPITAL, LLC

By: ____________________________
Name: __________________________
Title: __________________________

Notice Address:

Email: [ ]
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

ELEVATOR VENTURES HOLDINGS LTD.

By: __________________________
Name: ________________________
Title: _________________________

Notice Address:

Email:
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

MSR GLOBAL LIMITED

By: ________________________________
Name: ______________________________
Title: ______________________________

Notice Address: ____________________________

Email: ________________________________
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

ORIT WININGER

/s/ Orit Winingger

Notice Address:
[ ]
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

SHLOMO SCHINDELHEIM

/s/ Shlomo Schindelheim

Notice Address:
[ ]

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

INVESTORS:

ALLIANZ STRATEGIC INVESTMENTS S.A.R.L

By: /s/ Lars Junkermann /s/ Alain Schaedgen
Name: Lars Junkermann Alain Schaedgen
Title: Manager Manager

Notice Address:
[ ]

SIGNATURE PAGE TO A&R VOTING AGREEMENT FOR LEMONADE, INC.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

SOFTBANK GROUP CAPITAL LIMITED

By:  /s/ Robert Townsend
Name: Robert Townsend
Title: Director

Notice Address:
[ ]

SIGNATURE PAGE TO A&R VOTING AGREEMENT FOR LEMONADE, INC.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

LEMONADE 2019-I, LLC

By: /s/ Yan Piskunov

Name: Yan Piskunov

Title: Manager of Lemonade 34, LLC – the First Manager of Lemonade 2019-I, LLC

By: __________________________

Name: __________________________

Title: Director of Dream Ventures Ltd. – the Director of Gem Limited – the Second Manager of Lemonade 2019-I, LLC

Notice Address:
[ ]

LEMONADE 2019-II, LLC

By: /s/ Yan Piskunov

Name: Yan Piskunov

Title: Manager of Lemonade 35, LLC – the Manager of Lemonade 2019-II, LLC

Notice Address:
[ ]

SIGNATURE PAGE TO A&R VOTING AGREEMENT FOR LEMONADE, INC.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

PUCCINI INVESTMENTS HOLDINGS LIMITED

By: __________________________________________
Name: _______________________________________
Title: _________________________________________

Notice Address:

Email:
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

HAREL INSURANCE COMPANY LTD. (PARTICIPATING FUNDS)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

Arik Peretz, CPA
Executive Deputy General Manager
Finance and Resource Division
Chief Financial Officer
Harel Insurances Co. Ltd

HAREL INSURANCE COMPANY LTD. (NOSTRO)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

Arik Peretz, CPA
Executive Deputy General Manager
Finance and Resource Division
Chief Financial Officer
Harel Insurances Co. Ltd

TZAVA HAKEVA SAVING FUNDS– PROVIDENT FUNDS MANAGEMENT COMPANY LTD. (ON BEHALF OF TZVA HAKEVA SAVINGS FUND)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

Arik Peretz, CPA
Executive Deputy General Manager
Finance and Resource Division
Chief Financial Officer
Harel Insurances Co. Ltd

LEATID PENSION FUNDS MANAGEMENT COMPANY LTD. (ON BEHALF OF ATIDIT PENSION FUND)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

Arik Peretz, CPA
Executive Deputy General Manager
Finance and Resource Division
Chief Financial Officer
Harel Insurances Co. Ltd

Notice Address:
[ ]

SIGNATURE PAGE TO A&R VOTING AGREEMENT FOR LEMONADE, INC.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

HAREL PENSION AND PROVIDENT LTD. (ON BEHALF OF HAREL PENSION)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

Arik Peretz, CPA
Executive Deputy General Manager
Finance and Resource Division
Chief Financial Officer
Harel Insurances Co. Ltd.

HAREL PENSION AND PROVIDENT LTD. (ON BEHALF OF HAREL PROVIDENT FUND)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

Arik Peretz, CPA
Executive Deputy General Manager
Finance and Resource Division
Chief Financial Officer
Harel Insurances Co. Ltd.

HAREL PENSION AND PROVIDENT LTD. (ON BEHALF OF HAREL GENERAL PLAN)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

Arik Peretz, CPA
Executive Deputy General Manager
Finance and Resource Division
Chief Financial Officer
Harel Insurances Co. Ltd.

Notice Address:
[ ]

SIGNATURE PAGE TO A&R VOTING AGREEMENT FOR LEMONADE, INC.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

INVESTORS:

HAREL PENSION AND PROVIDENT LTD. (ON BEHALF OF HAREL STUDY FUND)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

HAREL PENSION AND PROVIDENT LTD. (ON BEHALF OF HAREL PROVIDENT INVESTMENT)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

HAREL PENSION AND PROVIDENT LTD. (ON BEHALF OF HAREL PROVIDENT INVESTMENT FOR CHILDREN)

By: /s/ Shmuel Babecov
Name: Shmuel Babecov
Title: Chief Investment Officer

Notice Address:
[ ]

SIGNATURE PAGE TO A&R VOTING AGREEMENT FOR LEMONADE, INC.

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

INVESTORS:

OURCROWD (INVESTMENT IN LEMON), L.P.

By: Its general partner OurCrowd Israel General Partner, L.P. on behalf of its General Partner, OurCrowd International General Partner, L.P. on behalf of its general partner OurCrowd General Partner Limited

By: /s/ Josh Wolff (May 1, 2019)  /s/ Cali Chill (May 1, 2019)
Name: Josh Wolff  Cali Chill
Title: SVP  SVP, General Counsel & Corporate Secretary

OURCROWD INTERNATIONAL INVESTMENT III, L.P.

By: its general partner OurCrowd Israel General Partner, L.P. on behalf of Partner, L.P., its General Partner, OurCrowd International General on behalf of its general partner OurCrowd General Partner Limited

By: /s/ Josh Wolff (May 1, 2019)  /s/ Cali Chill (May 1, 2019)
Name: Josh Wolff  Cali Chill
Title: SVP  SVP, General Counsel & Corporate Secretary

OURCROWD 50, L.P.

By: its general partner OurCrowd Israel General Partner, L.P. on behalf of its General Partner, OurCrowd International General Partner, L.P. on behalf of its general partner OurCrowd General Partner Limited

By: /s/ Josh Wolff (May 1, 2019)  /s/ Cali Chill (May 1, 2019)
Name: Josh Wolff  Cali Chill
Title: SVP  SVP, General Counsel & Corporate Secretary
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

KEY HOLDERS:

DANIEL SCHREIBER

/s/ Daniel Schreiber

Notice Address:
[ ]

SHAI WININGER

/s/ Shai Wininger

Notice Address:
[ ]

SIGNATURE PAGE TO A&R VOTING AGREEMENT FOR LEMONADE, INC.
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

KEY HOLDERS:

DAVID SCHREIBER

/s/ David Schreiber

Notice Address:

Email: [ ]

RUTH SCHREIBER

/s/ Ruth Schreiber

Notice Address:

Email: [ ]
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

KEY HOLDERS:

LEMONADE 18, LLC

By: /s/ 
Name: 
Title: 

Notice Address: 

Email: 

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

COMMON HOLDERS:

MAYA PROSOR

/s/ Maya Prosor

Notice Address: 

Email: [ ]

TY SAGALOW

/s/ Ty Sagalow

Notice Address: 

Email: [ ]

DAN ARIELY

/s/ Dan Ariely

Notice Address: 

Email: [ ]
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

COMMON HOLDERS:

MOSHE LIEBERMAN

/s/ Moshe Lieberman

Notice Address:

Email: [ ]

TIMOTHY E BIXBY

/s/ Timothy E Bixby

Notice Address:

Email:
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

COMMON HOLDERS:

OURCROWD INTERNATIONAL INVESTMENT III, L.P.

By: /s/ Josh Wolff (May 1, 2019) /s/ Cali Chill (May 1, 2019)
Name: Josh Wolff Cali Chill
Title: SVP SVP, General Counsel & Corporate Secretary
Notice Address:
[ ]

ALLIANZ STRATEGIC INVESTMENTS S.A.R.L.

By: /s/ Lars Junkermann /s/ Alain Schaedgen
Name: Lars Junkermann Alain Schaedgen
Title: Manager Manager
Notice Address:
[ ]

MVH HOLDINGS III LLC

By: 
Name: 
Title: 
Notice Address:
Email:

SIGNATURE PAGE TO A&R VOTING AGREEMENT FOR LEMONADE, INC.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

COMMON HOLDERS:

JOHN PETERS

/s/ John Peters

Notice Address:

Email:

ALEXANDRA PISKUN

/s/ Alexandra Piskun

Notice Address:

Email:

ANITRINIA LIMITED

By

Name: ____________________________

Title: ____________________________

Notice Address:

Email:

YAN PISKUNOV

/s/ Yan Piskunov

Notice Address:

Email:

SCHEDULE A

SCHEDULE OF INVESTORS

Aleph, L.P.
Aleph-Aleph, L.P.
Sequoia Capital Israel Venture V Holdings, L.P.
XL Innovate Fund, L.P.
General Catalyst Group VIII, L.P.
General Catalyst Group VIII Supplemental, L.P.
Thrive Capital Partners V, L.P.
Claremount V Associates, L.P.
GV 2016, L.P.
GV 2019, L.P.
Tusk Venture Partners I LP
Tusk Ventures I SPV LP
Tusk Ventures LLC
Tusk Ventures Lemonade SPV II LLC
Sound Ventures II, LLC
Alexa von Tobel
Annox Capital, LLC (Delaware LLC)
Elevator Ventures Holdings Ltd.
MSR Global Limited
Orit Wininger
Shlomo Schindelheim
Allianz Strategic Investments s.a.r.l.
SoftBank Group Capital Limited
Puccini Investments Holdings Limited
OurCrowd (Investment in Lemon), L.P.
OurCrowd International Investment III, L.P.
OurCrowd 50, L.P.
Harel Insurance Company Ltd.
Harel Pension and Provident Ltd.
Tzava Hakeva Saving Funds — Provident Funds Management Company Ltd.
Leatid Pension Funds Management Company Ltd.
Lemonade 2019-I, LLC
Lemonade 2019-II, LLC

SIGNATURE PAGE TO A&R VOTING AGREEMENT FOR LEMONADE, INC.
SCHEDULE B
SCHEDULE OF KEY HOLDERS

Daniel Schreiber
David Schreiber
Ruth Schreiber
Shai Wininger
Lemonade 18, LLC

SIGNATURE PAGE TO A&R VOTING AGREEMENT FOR LEMONADE, INC.
SCHEDULE C
SCHEDULE OF COMMON HOLDERS

Ty Sagalow
Dan Ariely
Moshe Lieberman
Maya Proser
MVH Holdings III LLC
John Peters
Timothy E Bixby
Allianz Strategic Investments s.a.r.l.
OurCrowd International Investment III, L.P.
Alexandra Piskun
Anitrinia Limited
Yan Piskunov

SIGNATURE PAGE TO A&R VOTING AGREEMENT FOR LEMONADE, INC.
EXHIBIT A

ADOPTION AGREEMENT

This Adoption Agreement ("Adoption Agreement") is executed by the undersigned (the "Holder") pursuant to the terms of that certain Amended and Restated Voting Agreement dated as of ______, 2019 (the "Agreement") by and among the Company and certain of its stockholders. Capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in the Agreement. By the execution of this Adoption Agreement, the Holder agrees as follows:

1. Acknowledgment. Holder acknowledges that Holder is acquiring certain shares of the capital stock of the Company (the "Stock") or options, warrants or other rights to acquire such Stock, for one of the following reasons (Check the appropriate box):
   - as a transferee of Shares from a party in such party’s capacity as an “Investor” bound by the Agreement, and after such transfer, Holder shall be considered an “Investor” and a “Stockholder” for all purposes of the Agreement.
   - as a transferee of Shares from a party in such party’s capacity as a “Key Holder” bound by the Agreement, and after such transfer, Holder shall be considered a “Key Holder” and a “Stockholder” for all purposes of the Agreement.
   - as a transferee of Shares from a party in such party’s capacity as a “Common Holder” bound by the Agreement, and after such transfer, Holder shall be considered a “Common Holder” and a “Stockholder” for all purposes of the Agreement.
   - as a new Investor in accordance with Section 12.9(a) of the Agreement, in which case Holder will be an “Investor” and a “Stockholder” for all purposes of the Agreement.
   - in accordance with Section 12.9(b) of the Agreement, as a new party who is not a new Investor, in which case Holder will be a “Key Holder” and a “Stockholder” for all purposes of the Agreement.

2. Agreement. Holder (a) agrees that the Stock acquired by Holder shall be bound by and subject to the terms of the Agreement, and (b) hereby adopts the Agreement with the same force and effect as if Holder were originally a Party thereto.

3. Notice. Any notice required or permitted by the Agreement shall be given to Holder at the address listed beside Holder’s signature below.
EXECUTED AND DATED this day of , 20 .

HOLDER:

By: __________________________________________
Name: _________________________________________
Title: __________________________________________
Address: _______________________________________
Email: _________________________________________

Accepted and Agreed:

COMPANY

By: __________________________________________
Name: _________________________________________
Title: __________________________________________
EXHIBIT B

CONSENT OF SPOUSE

I, [Name of Stockholder’s Spouse], spouse of [Name of Stockholder], acknowledge that I have read the Amended and Restated Voting Agreement, dated as of [Date], 2019 to which this Consent of Spouse is attached as Exhibit B (the “Agreement”), and that I know the contents of the Agreement. I am aware that the Agreement contains provisions regarding the voting and transfer of shares of capital stock of Company (as defined in the Agreement) that my spouse may own, including any interest I might have therein.

I hereby agree that my interest, if any, in any shares of capital stock of the Company subject to the Agreement shall be irrevocably bound by the Agreement and further understand and agree that any community property interest I may have in such shares of capital stock of the Company shall be similarly bound by the Agreement.

I am aware that the legal, financial and related matters contained in the Agreement are complex and that I am free to seek independent professional guidance or counsel with respect to this Consent of Spouse. I have either sought such guidance or counsel or determined after reviewing the Agreement carefully that I will waive such right.

Date: [Name of Stockholder’s Spouse]

[Signature of Stockholder’s Spouse]
INDEMNIFICATION AND ADVANCEMENT AGREEMENT

This Indemnification and Advancement Agreement (“Agreement”) is made as of __________, 2020 by and between Lemonade, Inc., a Delaware corporation (the “Company”), and __________, a member of the Board of Directors or an officer of the Company (“Indemnitee”). This Agreement supersedes and replaces any and all previous Agreements between the Company and Indemnitee covering indemnification and advancement.

RECITALS

WHEREAS, the Board of Directors of the Company (the “Board”) believes that highly competent persons have become more reluctant to serve publicly-held corporations as directors, officers, or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification and advancement of expenses against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The Bylaws and Certificate of Incorporation of the Company require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware (the “DGCL”). The Bylaws, Certificate of Incorporation, and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the board of directors, officers and other persons with respect to indemnification and advancement of expenses;

WHEREAS, the uncertainties relating to such insurance, to indemnification, and to advancement of expenses may increase the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company and its stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;
WHEREAS, this Agreement is a supplement to and in furtherance of the Bylaws, Certificate of Incorporation and any resolutions adopted pursuant thereto, and is not a substitute therefor, nor diminishes or abrogates any rights of Indemnitee thereunder; and

WHEREAS, Indemnitee does not regard the protection available under the Bylaws, Certificate of Incorporation, DGCL and insurance as adequate in the present circumstances, and may not be willing to serve or continue to serve as an officer or director without adequate additional protection, and the Company desires Indemnitee to serve or continue to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that Indemnitee be so indemnified and be advanced expenses.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Services to the Company. Indemnitee agrees to serve as a director or officer of the Company. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law). This Agreement does not create any obligation on the Company to continue Indemnitee in such position and is not an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee.

Section 2. Definitions. As used in this Agreement:

(a) “Agent” means any person who is authorized by the Company or an Enterprise to act for or represent the interests of the Company or an Enterprise, respectively.

(b) A “Change in Control” occurs upon the earliest to occur after the date of this Agreement of any of the following events:

i. Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the Company’s then outstanding securities unless the change in relative beneficial ownership of the Company’s securities by any Person results solely from a reduction in the aggregate number of outstanding shares of securities entitled to vote generally in the election of directors;

ii. Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(b)(i), 2(b)(iii) or 2(b)(iv)) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the members of the Board;
iii. Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

iv. Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets; and

v. Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

vi. For purposes of this Section 2(b), the following terms have the following meanings:


2 “Person” has the meaning set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person excludes (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

3 “Beneficial Owner” has the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner excludes any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(c) “Corporate Status” describes the status of a person who is or was acting as a director, officer, employee, fiduciary, or Agent of the Company or an Enterprise.

(d) “Disinterested Director” means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.
(e) “Enterprise” means any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other entity for which Indemnitee is or was serving at the request of the Company as a director, officer, employee, or Agent.

(f) “Expenses” includes all reasonable attorneys’ fees, retainers, court costs, transcript costs, fees of experts and other professionals, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, and (ii) for purposes of Section 14(d) only, Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee’s rights under this Agreement, by litigation or otherwise. The parties agree that for the purposes of any advancement of Expenses for which Indemnitee has made written demand to the Company in accordance with this Agreement, all Expenses included in such demand that are certified by affidavit of Indemnitee’s counsel as being reasonable in the good faith judgment of such counsel will be presumed conclusively to be reasonable. Expenses, however, do not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(g) “Independent Counsel” means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” does not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

(h) The term “Proceeding” includes any threatened, pending or completed action, suit, claim, counterclaim, cross claim, arbitration, mediation, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative, legislative, or investigative (formal or informal) nature, including any appeal therefrom, in which Indemnitee was, is or will be involved as a party, potential party, non-party witness or otherwise by reason of Indemnitee’s Corporate Status or by reason of any action taken by Indemnitee (or a failure to take action by Indemnitee) or of any action (or failure to act) on Indemnitee’s part while acting pursuant to Indemnitee’s Corporate Status, in each case whether or not serving in such capacity at the time any liability or Expense is incurred for which indemnification, reimbursement, or advancement of Expenses can be provided under this Agreement. A Proceeding also includes a situation the Indemnitee believes in good faith may lead to or culminate in the institution of a Proceeding.
Section 3. Indemnity in Third-Party Proceedings. The Company will indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, the Company will indemnify Indemnitee to the fullest extent permitted by applicable law against all Expenses, judgments, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on Indemnitee’s behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal Proceeding had no reasonable cause to believe that Indemnitee’s conduct was unlawful.

Section 4. Indemnity in Proceedings by or in the Right of the Company. The Company will indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, the Company will indemnify Indemnitee to the fullest extent permitted by applicable law against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee’s behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company. The Company will not indemnify Indemnitee for Expenses under this Section 4 related to any claim, issue or matter in a Proceeding for which Indemnitee has been finally adjudged by a court to be liable to the Company, unless, and only to the extent that, the Delaware Court of Chancery or any court in which the Proceeding was brought determines upon application by Indemnitee that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification.

Section 5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. To the fullest extent permitted by applicable law, the Company will indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee in connection with any Proceeding that Indemnitee is successful, on the merits or otherwise. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company will indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee’s behalf in connection with or related to each successfully resolved claim, issue or matter to the fullest extent permitted by law. For purposes of this Section 5 and without limitation, the termination of any claim, issue or matter in a Proceeding by dismissal, with or without prejudice, will be deemed to be a successful result as to such claim, issue or matter.

Section 6. Indemnification For Expenses of a Witness. To the fullest extent permitted by applicable law, the Company will indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee’s behalf in connection with any Proceeding to which Indemnitee is not a party but to which Indemnitee is a witness, deponent, interviewee, or otherwise asked to participate.

Section 7. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses, but not,
however, for the total amount thereof, the Company will indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

Section 8. Additional Indemnification. Notwithstanding any limitation in Sections 3, 4, or 5, the Company will indemnify Indemnitee to the fullest extent permitted by applicable law (including but not limited to, the DGCL and any amendments to or replacements of the DGCL adopted after the date of this Agreement that expand the Company’s ability to indemnify its officers and directors) if Indemnitee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor).

Section 9. Exclusions. Notwithstanding any provision in this Agreement, the Company is not obligated under this Agreement to make any indemnification payment to Indemnitee in connection with any Proceeding:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except to the extent provided in Section 16(b) and except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; or

(b) for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act (as defined in Section 2(b) hereof) or similar provisions of state statutory law or common law, (ii) any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act) or (iii) any reimbursement of the Company by Indemnitee of any compensation pursuant to any compensation recoupment or clawback policy adopted by the Board or the compensation committee of the Board, including but not limited to any such policy adopted to comply with stock exchange listing requirements implementing Section 10D of the Exchange Act; or

(c) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Proceeding or part of any Proceeding is to enforce Indemnitee’s rights to indemnification or advancement, of Expenses, including a Proceeding (or any part of any Proceeding) initiated pursuant to Section 14 of this Agreement, (ii) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (iii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

Section 10. Advances of Expenses.

(a) The Company will advance, to the extent not prohibited by law, the Expenses incurred by Indemnitee in connection with any Proceeding (or any part of any Proceeding) not initiated.
by Indemnitee or any Proceeding (or any part of any Proceeding) initiated by Indemnitee if (i) the Proceeding or part of any Proceeding is to enforce Indemnitee’s rights to obtain indemnification or advancement of Expenses from the Company or Enterprise, including a proceeding initiated pursuant to Section 14 or (ii) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation. The Company will advance the Expenses within thirty (30) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding.

(b) Advances will be unsecured and interest free. Indemnitee undertakes to repay the amounts advanced (without interest) to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company, thus Indemnitee qualifies for advances upon the execution of this Agreement and delivery to the Company. No other form of undertaking is required other than the execution of this Agreement. The Company will make advances without regard to Indemnitee’s ability to repay the Expenses and without regard to Indemnitee’s ultimate entitlement to indemnification under the other provisions of this Agreement.

Section 11. Procedure for Notification of Claim for Indemnification or Advancement.

(a) Indemnitee will notify the Company in writing of any Proceeding with respect to which Indemnitee intends to seek indemnification or advancement of Expenses hereunder as soon as reasonably practicable following the receipt by Indemnitee of written notice thereof. Indemnitee will include in the written notification to the Company a description of the nature of the Proceeding and the facts underlying the Proceeding and provide such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of such Proceeding. Indemnitee’s failure to notify the Company will not relieve the Company from any obligation it may have to Indemnitee under this Agreement, and any delay in so notifying the Company will not constitute a waiver by Indemnitee of any rights under this Agreement. The Secretary of the Company will, promptly upon receipt of such a request for indemnification or advancement, advise the Board in writing that Indemnitee has requested indemnification or advancement.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

Section 12. Procedure Upon Application for Indemnification.

(a) Unless a Change of Control has occurred, the determination of Indemnitee’s entitlement to indemnification will be made:

i. by a majority vote of the Disinterested Directors, even though less than a quorum of the Board;

ii. by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board;

iii. if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by written opinion provided by Independent Counsel selected by the Board; or
iv. if so directed by the Board, by the stockholders of the Company.

(b) If a Change in Control has occurred, the determination of Indemnitee’s entitlement to indemnification will be made by written opinion provided by Independent Counsel selected by Indemnitee (unless Indemnitee requests such selection be made by the Board).

(c) The party selecting Independent Counsel pursuant to subsection (a)(iii) or (b) of this Section 12 will provide written notice of the selection to the other party. The notified party may, within ten (10) days after receiving written notice of the selection of Independent Counsel, deliver to the selecting party a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of “Independent Counsel” as defined in Section 2 of this Agreement, and the objection will set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected will act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or the Delaware Court has determined that such objection is without merit. If, within thirty (30) days after the later of submission by Indemnitee of a written request for indemnification pursuant to Section 11(a) hereof and the final disposition of the Proceeding, Independent Counsel has not been selected or, if selected, any objection to has not been resolved, either the Company or Indemnitee may petition the Delaware Court for the appointment as Independent Counsel of a person selected by such court or by such other person as such court designates. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 14(a) of this Agreement, Independent Counsel will be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(d) Indemnitee will cooperate with the person, persons or entity making the determination with respect to Indemnitee’s entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. The Company will advance and pay any Expenses incurred by Indemnitee in so cooperating with the person, persons or entity making the indemnification determination irrespective of the determination as to Indemnitee’s entitlement to indemnification and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom. The Company promptly will advise Indemnitee in writing of the determination that Indemnitee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied and providing a copy of any written opinion provided to the Board by Independent Counsel.

(e) If it is determined that Indemnitee is entitled to indemnification, the Company will make payment to Indemnitee within thirty (30) days after such determination.
Agreement, and the Company will, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption. Neither the failure of the Company (including by its directors or Independent Counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or Independent Counsel) that Indemnitee has not met such applicable standard of conduct, will be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the determination of the Indemnitee’s entitlement to indemnification has not been made pursuant to Section 12 within sixty (60) days after the later of (i) receipt by the Company of Indemnitee’s request for indemnification pursuant to Section 11(a) and (ii) the final disposition of the Proceeding for which Indemnitee requested Indemnification (the “Determination Period”), the requisite determination of entitlement to indemnification will, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee will be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee’s statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law. The Determination Period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, the Determination Period may be extended an additional fifteen (15) days if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 12(a)(iv) of this Agreement.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, will not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that Indemnitee’s conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnitee will be deemed to have acted in good faith if Indemnitee acted based on the records or books of account of the Company, its subsidiaries, or an Enterprise, including financial statements, or on information supplied to Indemnitee by the directors or officers of the Company, its subsidiaries, or an Enterprise in the course of their duties, or on the advice of legal counsel for the Company, its subsidiaries, or an Enterprise or on information or records given or reports made to the Company or an Enterprise by an independent certified public accountant or by an appraiser, financial advisor or other expert selected with reasonable care by or on behalf of the Company, its subsidiaries, or an Enterprise. Further, Indemnitee will be deemed to have acted in a manner “not opposed to the best interests of the Company,” as referred to in this Agreement if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan. The provisions of this Section 13(d) is not exclusive and does not limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.
Section 14. Remedies of Indemnitee.

(a) Indemnitee may commence litigation against the Company in the Delaware Court of Chancery to obtain indemnification or advancement of Expenses provided by this Agreement in the event that (i) a determination is made pursuant to Section 12 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) the Company does not advance Expenses pursuant to Section 10 of this Agreement, (iii) the determination of entitlement to indemnification is not made pursuant to Section 12 of this Agreement within the Determination Period, (iv) the Company does not indemnify Indemnitee pursuant to Section 5 or 6 or the second to last sentence of Section 12(d) of this Agreement within thirty (30) days after receipt by the Company of a written request therefor, (v) the Company does not indemnify Indemnitee pursuant to Section 3, 4, 7, or 8 of this Agreement within thirty (30) days after a determination has been made that Indemnitee is entitled to indemnification, or (vi) in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, the Indemnitee the benefits provided or intended to be provided to the Indemnitee hereunder. Alternatively, Indemnitee, at Indemnitee’s or Company’s option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee must commence such Proceeding seeking an adjudication or an award in arbitration within one hundred and eighty (180) days following the date on which Indemnitee first has the right to commence such Proceeding pursuant to this Section 14(a); provided, however, that the foregoing clause does not apply in respect of a Proceeding brought by Indemnitee to enforce Indemnitee’s rights under Section 5 of this Agreement. The Company will not oppose Indemnitee’s right to seek any such adjudication or award in arbitration.

(b) If a determination is made pursuant to Section 12 of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 14 will be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee may not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 14 the Company will have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and will not introduce evidence of the determination made pursuant to Section 12 of this Agreement.

(c) If a determination is made pursuant to Section 12 of this Agreement that Indemnitee is entitled to indemnification, the Company will be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 14, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee’s statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company is, to the fullest extent not prohibited by law, precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 14 that the
procedures and presumptions of this Agreement are not valid, binding and enforceable and will stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(e) It is the intent of the Company that, to the fullest extent permitted by law, the Indemnitee not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of Indemnitee’s rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. The Company, to the fullest extent permitted by law, will (within thirty (30) days after receipt by the Company of a written request therefor) advance to Indemnitee such Expenses which are incurred by Indemnitee in connection with any action concerning this Agreement, Indemnitee’s right to indemnification or advancement of Expenses from the Company, or concerning any directors’ and officers’ liability insurance policies maintained by the Company, and will indemnify Indemnitee against any and all such Expenses unless the court determines that each of the Indemnitee’s claims in such action were made in bad faith or were frivolous or are prohibited by law.

Section 15. [Reserved].

Section 16. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The indemnification and advancement of Expenses provided by this Agreement are not exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation, the Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. The indemnification and advancement of Expenses provided by this Agreement may not be limited or restricted by any amendment, alteration or repeal of this Agreement in any way with respect to any action taken or omitted by Indemnitee in Indemnitee’s Corporate Status occurring prior to any amendment, alteration or repeal of this Agreement. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Bylaws, Certificate of Incorporation, or this Agreement, it is the intent of the parties hereto that Indemnitee enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy is cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, will not prevent the concurrent assertion or employment of any other right or remedy.

(b) The Company hereby acknowledges that Indemnitee may have certain rights to indemnification, advancement of Expenses and/or insurance provided by one or more other Persons with whom or which Indemnitee may be associated. The relationship between the Company and such other Persons, other than an Enterprise, with respect to the Indemnitee’s rights to indemnification, advancement of Expenses, and insurance is described by this subsection, subject to the provisions of subsection (d) of this Section 16 with respect to a Proceeding concerning Indemnitee’s Corporate Status with an Enterprise.

i. The Company hereby acknowledges and agrees:

1) the Company is the indemnitor of first resort with respect to any request for indemnification or advancement of Expenses made pursuant to this Agreement concerning any Proceeding;

2) the Company is primarily liable for all indemnification and indemnification or advancement of Expenses obligations for any Proceeding, whether created by law, organizational or constituent documents, contract (including this Agreement) or otherwise;

3) any obligation of any other Persons with whom or which Indemnitee may be associated to indemnify Indemnitee and/or advance Expenses to Indemnitee in respect of any proceeding are secondary to the obligations of the Company’s obligations;

4) the Company will indemnify Indemnitee and advance Expenses to Indemnitee hereunder to the fullest extent provided herein without regard to any rights Indemnitee may have against any other Person with whom or which Indemnitee may be associated or insurer of any such Person; and

ii. the Company irrevocably waives, relinquishes and releases (A) any other Person with whom or which Indemnitee may be associated from any claim of contribution, subrogation, reimbursement, exoneration or indemnification, or any other recovery of any kind in respect of amounts paid by the Company to Indemnitee pursuant to this Agreement and (B) any right to participate in any claim or remedy of Indemnitee against any Person, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from any Person, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right.

iii. In the event any other Person with whom or which Indemnitee may be associated or their insurers advances or extinguishes any liability or loss for Indemnitee, the payor has a right of subrogation against the Company or its insurers for all amounts so paid which would otherwise be payable by the Company or its insurers under this Agreement. In no event will payment by any other Person with whom or which Indemnitee may be associated or their insurers affect the obligations of the Company hereunder or shift primary liability for the Company’s obligation to indemnify or advance of Expenses to any other Person with whom or which Indemnitee may be associated.

iv. Any indemnification or advancement of Expenses provided by any other Person with whom or which Indemnitee may be associated is specifically in excess over the Company’s obligation to indemnify and advance Expenses or any valid and collectible insurance (including but not limited to any malpractice insurance or professional errors and omissions insurance) provided by the Company.

(c) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Company, the Company will obtain a policy or policies covering Indemnitee to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies, including coverage in the event the Company does or cannot, for any reason, indemnify or advance Expenses to Indemnitee as required by this Agreement. If, at the time of the receipt of a
notice of a claim pursuant to this Agreement, the Company has director and officer liability insurance in effect, the Company will give prompt notice of such claim or of the commencement of a Proceeding, as the case may be, to the insurers in accordance with the procedures set forth in the respective policies. The Company will thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies. Indemnitee agrees to assist the Company efforts to cause the insurers to pay such amounts and will comply with the terms of such policies, including selection of approved panel counsel, if required.

(d) The Company’s obligation to indemnify or advance Expenses hereunder to Indemnitee for any Proceeding concerning Indemnitee’s Corporate Status with an Enterprise will be reduced by any amount Indemnitee has actually received as indemnification or advancement of Expenses from such Enterprise. The Company and Indemnitee intend that any such Enterprise (and its insurers) be the indemnitor of first resort with respect to indemnification and advancement of Expenses for any Proceeding related to or arising from Indemnitee’s Corporate Status with such Enterprise. The Company’s obligation to indemnify and advance Expenses to Indemnitee is secondary to the obligations the Enterprise or its insurers owe to Indemnitee. Indemnitee agrees to take all reasonably necessary and desirable action to obtain from an Enterprise indemnification and advancement of Expenses for any Proceeding related to or arising from Indemnitee’s Corporate Status with such Enterprise.

(e) In the event of any payment made by the Company under this Agreement, the Company will be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee from any Enterprise or insurance carrier. Indemnitee will execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

Section 17. Duration of Agreement. This Agreement continues until and terminates upon the later of: (a) ten (10) years after the date that Indemnitee ceases to have a Corporate Status or (b) one (1) year after the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification and advancement of Expenses hereunder and of any Proceeding commenced by Indemnitee pursuant to Section 14 of this Agreement relating thereto. The indemnification and advancement of Expenses rights provided by or granted pursuant to this Agreement are binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or of any other Enterprise, and inure to the benefit of Indemnitee and Indemnitee’s spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

Section 18. Severability. If any provision or provisions of this Agreement is held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) will not in any way be affected or impaired thereby and remain enforceable to the fullest extent permitted by law; (b) such provision or provisions will be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent
possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) will be construed so as to give effect to the intent manifested thereby.

Section 19. Interpretation. Any ambiguity in the terms of this Agreement will be resolved in favor of Indemnitee and in a manner to provide the maximum indemnification and advancement of Expenses permitted by law. The Company and Indemnitee intend that this Agreement provide to the fullest extent permitted by law for indemnification and advancement in excess of that expressly provided, without limitation, by the Certificate of Incorporation, the Bylaws, vote of the Company stockholders or disinterested directors, or applicable law.

Section 20. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving or continuing to serve as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement to and in furtherance of the Certificate of Incorporation, the Bylaws and applicable law, and is not a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

Section 21. Modification and Waiver. No supplement, modification or amendment of this Agreement is binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement will be deemed or constitutes a waiver of any other provisions of this Agreement nor will any waiver constitute a continuing waiver.

Section 22. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company does not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

Section 23. Notices. All notices, requests, demands and other communications under this Agreement will be in writing and will be deemed to have been duly given if (a) delivered by hand to the other party, (b) sent by reputable overnight courier to the other party or (c) sent by facsimile transmission or electronic mail, with receipt of oral confirmation that such communication has been received:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee provides to the Company.
or to any other address as may have been furnished to Indemnitee by the Company.

Section 24. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, will contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

Section 25. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties are governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 14(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or Proceeding arising out of or in connection with this Agreement may be brought only in the Delaware Court of Chancery and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or Proceeding arising out of or in connection with this Agreement, (iii) waive any objection to the laying of venue of any such action or Proceeding in the Delaware Court, and (iv) waive, and agree not to plead or to make, any claim that any such action or Proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

Section 26. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which will for all purposes be deemed to be an original but all of which together constitutes one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 27. Headings. The headings of this Agreement are inserted for convenience only and do not constitute part of this Agreement or affect the construction thereof.

15
IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

COMPANY.

By: ________________________________
Name: ______________________________
Office: ______________________________

INDEMNITEE

Name: ______________________________
Address: ____________________________
PERSONAL EMPLOYMENT AGREEMENT

This Personal Employment Agreement ("Agreement") is entered into this 1st day of July 2015 (the “Effective Date”), by and between Lemonade Ltd., a private company incorporated under the laws of the State of Israel having its principal office at 38 Keren Hayesod Street, Jerusalem, Israel (the “Company”) and the employee whose details are specified in Annex A hereto (the “Employee”).

WITNESSETH

WHEREAS, the Company desires to engage the Employee in the position indicated hereinafter and the Employee represents that he has the requisite skills and knowledge to serve in such position; and

WHEREAS, the parties desire to state the terms and conditions of the Employee’s engagement with the Company, effective as of the Employment Starting Date, as such term is defined hereinafter, all subject to the terms set forth below.

NOW THEREFORE, in consideration of the mutual promises contained herein, and intending to be legally bound, the parties hereto hereby declare and agree as follows:

1. Appointment; The Position

1.1 The Company hereby appoints the Employee to the position detailed in Annex A. The Employee shall perform the services and duties hereunder in accordance with the Company’s policy, under the supervision of the person(s) detailed in Annex A and in accordance with his/her instructions and in any other framework as the Company shall direct in order to facilitate its needs.

1.2 The parties hereto warrant and confirm that Employee’s employment by the Company shall commence on the date specified in Annex A (the “Employment Starting Date”). The provisions of this Agreement shall apply to the parties as of the Employment Starting Date.

1.3 The Employee shall perform his/her duties hereunder at the Company’s principal offices indicated above or at such other offices in either the Jerusalem or Tel Aviv areas. The Employee acknowledges and agrees that the performance of his/her duties hereunder may require domestic and international travel.

1.4 This Agreement is specific and personal and exclusively determines the Employee’s terms of employment.

2. Devotion of Time

2.1 As of the Employment Starting Date, Employee shall devote the required and necessary business time, attention and efforts to the performance of his/her duties and responsibilities hereunder. The Employee shall perform the duties and responsibilities hereunder with expertise and in a professional and efficient manner.

2.2 During the term of this Agreement, and unless and until otherwise agreed, Employee shall be employed on a full-time basis, with Friday and Saturday as rest days. The performance
of Employee’s responsibilities requires work during over-time hours, over and above the regular working days and hours and the Employee undertakes to work these hours in accordance with the Company’s demands and requirements.

2.3 As of the Employment Starting Date, Employee shall not engage in any other business activities, whether or not such business activities are conducted outside of normal business hours and whether or not such activities are pursued for gain or profit unless specifically approved by the Company. The above notwithstanding, it is hereby clarified and agreed that: (i) the Employee may engage in volunteer work; (ii) as of the Effective Date, the Employee is currently engaged and may continue to be engaged with the entities listed on Annex B hereto, and (iii) the Employee may engage in other paid or unpaid activities upon notification to the Company, provided however, that in each case, unless otherwise approved by the Company, such engagements will not disrupt or interfere with Employee’s performance of the duties and responsibilities hereunder, shall not be conducted during the time Employee is obligated to devote for the performance of his/her duties and responsibilities according to this Agreement and/or compete with the Company’s and/or any of its subsidiaries’ and/or any of its affiliates’ business.

2.4 Employee’s position within the Company is (i) a high senior position, (ii) requires a special measure of personal trust and loyalty and (iii) is of conditions and circumstances of which it is impossible for the Company to control Employee’s working hours and hours of rest. Accordingly, the Law of Working Hours and Rest, 5711-1951 shall not apply to the employment of the Employee.

3. Term and Termination

3.1 This Agreement shall be effective as of the Employment Starting Date, and shall continue until terminated in accordance with the provisions of Section 3.2 or 3.3 hereinafter.

3.2 The Company and the Employee may terminate this Agreement at any time by giving the other party a prior written notice of termination, of a period detailed in Annex A.

3.3 The Company may waive in writing and in advance Employee’s services in any prior notice period. In the event that the Company notifies Employee of such waiver, the Company shall be entitled to pay Employee the Monthly Salary (as defined below) otherwise payable to Employee during such prior notice period in one lump-sum and by doing so bring the employer-employee relations between the parties to end upon such payment.

3.4 Notwithstanding the above, the Company shall have the right to immediately terminate this Agreement for a Cause, as determined by the Company. A “Cause” shall mean either (i) circumstances entitling the Company under any applicable law to terminate the employment of the Employee without payment of severance pay; (ii) any material breach by the Employee of this Agreement, any breach of the NDA or any breach of the Employee’s fiduciary duties; (iii) conviction of the Employee of any felony involving moral turpitude and/or (iv) a willful failure to perform Employee’s responsibilities or duties which failure has a significant adverse effect on the Company in cases (ii) and (iv) above, but in each case only if the Employee did not cure such breach within seven (7) days of written notification of the same by the Company. Subject to section 5.1 (iv), in the event of termination for
Cause, Employee’s entitlement to severance pay will be subject to Sections 16 and 17 of the Severance Pay Law 5723-1963 (the “Severance Law”) and/or any other applicable law.

4. **Salary**

   During the term of this Agreement, the Company shall pay Employee a monthly gross salary in a total amount detailed in Annex A (the “Monthly Salary”).

5. **Additional Benefits**

   5.1 **Pension Insurance.** As of the Employment Starting Date, the Company shall insure the Employee under an accepted “Managers Insurance Plan” (the “Managers Insurance”) and/or a comprehensive pension plan (the “Pension Plan”). The Managers Insurance and/or Pension Plan shall be provided through an agency/agent selected by the Employee, by an insurance company and/or a pension fund, to be selected by the Employee and approved by the Company. For the avoidance of doubt, the Company’s contributions may exceed the maximum exemption from income tax allowed by any applicable law and regulations.

   (i) In the case of a Pension Plan, the percentages detailed in Annex A shall be contributed.

   (ii) In the case of a Managers Insurance, the percentages detailed in Annex A shall be contributed. The Company shall make additional payments, as detailed in Annex A, on account of insurance for loss of earning capacity.

   (iii) The Employee hereby instructs the Company to transfer to such Managers Insurance and/or Pension Plan the amount of Employee’s and the Company’s contribution from the Monthly Salary, as detailed in Annex A.

   (iv) The Company and the Employee agree and acknowledge that the Company’s contribution towards the Managers Insurance or Pension Plan as set forth in this Section 5.1, are in lieu of severance payments to which the Employee (or his beneficiaries) is otherwise entitled to with respect to the Monthly Salary upon which such contributions were made and for the period in which they were made, pursuant to Section 14 of the Severance Law. The parties hereby adopt the General Approval of the Minister of Labor and Welfare, which is attached hereto as Annex C. The Company hereby forfeits any right it may have for reimbursement of sums paid by the Company into the Managers Insurance or Pension Plan, except: (i) in the event that the Employee withdraws such sums from the Managers Insurance or Pension Plan, other than in the event of death, disability or retirement at the age of 60 or more; or (ii) upon the occurrence of any of the events provided for in Sections 16 and 17 of the Severance Law, subject to the terms of the General Approval.

   5.2 **Additional Benefits.** Employee shall receive additional benefits, if any, as detailed in Annex A.

   5.3 **Annual Vacation.** Employee shall be entitled to paid vacation days during each year of employment with the Company as detailed in Annex A, but in any event no less than the number of annual vacation days prescribed by law. Employee shall be obligated to take at least one vacation each year of at least 7 consecutive days (5 working days which shall be counted as vacation days and 2 rest days), as prescribed by law. Any vacation day not used by the Employee during the year will be cancelled on 1st January of the following year and no vacation days shall be redeemed at any time.
For the avoidance of doubt, the dates of the Employee’s vacation shall be coordinated with the Company.

In addition, to the extent that the Employee requires additional vacation days, the Employee is entitled to request such days from the Supervisor and coordinate such vacation with the Company at its discretion and according to the Company’s policy from time to time. The Company shall be entitled to set uniform dates for vacation for all or part of its employees, with respect to all or any part of the vacation days, as it shall deem fit.

5.4 Cellular Phone; Laptop. If detailed on Annex A, Company shall provide Employee with a laptop (the “Laptop”) and shall bear the costs of maintaining a cellular phone, subject to the Company’s policy and as detailed below (the “Cellular Phone Expenses”) for Employee’s use in the course of performing his/her obligations under this Agreement.

Company shall bear all expenses in connection with the use and maintenance of the Laptop, including, internet services, in accordance with the Company’s policies from time to time. The Cellular Phone Expenses as well as the maintenance of the Cellular Phone shall be subject to Company’s policy from time to time, as well as its agreement with the cellular company.

In order to benefit from the payment of the Cellular Phone Expenses, the Employee shall be required to sign and execute any form which transfers the line of the Cellular Phone to the business plan of the Company such that the Company shall pay the Cellular Phone Expenses directly to the cellular Company, the identity of the cellular company as well as the plan so chosen for the Employee shall be determined by the Company at its sole discretion. To the extent that the Employee will request to upgrade the plan provided by the Company, the Company may require that the Employee pays the amount which exceeds the Cellular Phone Expenses and the Employee hereby irrevocably authorizes Company to deduct and set off from his Monthly Salary such excess amount. The Employee shall sign the necessary documents required to transfer the line back to Employee’s ownership no later than his/her last day of work with the Company and the Company shall be permitted to disconnect the line immediately thereafter.

The Employee shall bear (and hereby irrevocably authorizes Company to deduct and set off from his Monthly Salary) all tax obligations related to the use of the Laptop and the Cellular Phone Expenses, if any. The Employee shall return the Laptop to the Company no later than his/her last day of work with the Company. The Employee shall have no rights of ownership in Laptop, nor any rights to any lien or charge with respect thereto.

The use of the Laptop and payment of Cellular Phone Expenses shall not be considered in any case whatsoever as part of the Monthly Salary and Employee will not receive any social benefits on the imputed income related to the grant of the Laptop hereunder or the payment of the Cellular Phone Expenses.

5.5 Sick Leave & Recreation pay. The Employee shall be entitled to sick leave (commencing the first day of sickness), and to recreation pay (“dmei havra’ah”) according to any applicable law.
5.6 **Car**

In the event the Employee is provided with a car (the “Car”), the Car, if provided to Employee, shall be for work related purposes only, in accordance with the Company’s vehicle policy and subject to the provisions of Annex A hereto and the Car Use Appendix attached hereto as Annex D. It is hereby clarified that the Car shall come in lieu of any payment in respect of travel expenses required by law. The use of the Car shall not be considered in any case whatsoever as part of the Monthly Salary and Employee will not be entitled to receive any social benefits on the imputed income related to the grant of the Car hereunder, and shall bear all taxes and other compulsory payments associated with such imputed income.

6. **Tax Withholding**

For avoidance of doubt, all payments and benefits under this Agreement are gross amounts. Any tax consequences arising from the grant or exercise of any option or right or from any payment made to Employee under this Agreement or any other event or act, whether on Employee’s part or the Company’s part, shall be borne solely by Employee (other than taxes which are imposed by law on the Company). The Company shall withhold the applicable taxes as required under any applicable law from any Monthly Salary and/or from all other payments and/or benefits granted to Employee under this Agreement.

7. **Proprietary Information & Non Disclosure**

The provisions of the Proprietary Information, Assignment of Inventions, Non Disclosure and Non Compete Agreement attached hereto as Annex E (the “NDA”) are hereby incorporated by reference. Employee hereby acknowledges and agrees that this Agreement shall not come into force, unless the NDA is executed. The provisions of the NDA shall survive the rescission or termination, for any reason, of this Agreement.

8. **Representations**

8.1 Employee represents and warrants to the Company that the execution and delivery of this Agreement and the fulfillment of the terms hereof (i) will not constitute a default under or conflict with any agreement or other instrument to which he is or was a party or by which he is bound, and (ii) does not require the consent of any person or entity.

8.2 The Employee represents that the Employee has the requisite skills and knowledge to perform his/her duties, responsibilities and obligations under this Agreement.

8.3 Employee represents and warrants that the Employee will use the Company’s assets and equipment (including the Laptop, Cellular Phone, email account assigned to it by the Company, and/or documentation) (collectively “Company’s Equipment”) primarily for the purpose of his/her employment.

8.4 The Employee acknowledges and agrees as follows: (i) upon reasonable suspicion of a breach of the provisions of this Agreement or applicable law, the Company shall have the right to conduct inspections on any and all the Company’s computers, including inspections of electronic mail transmissions in the email account assigned to him/her by the Company, internet usage and inspections of their content, all subject to applicable law. For the
avoidance of any doubt, it is hereby clarified that all findings of any such examinations shall be the Company’s sole property; and (ii) in any and all times the Employee will transfer to the Company the log-on passwords to the computer/Laptop provided by the Company and the Company assigned email account.

9. **Notice; Addresses**

9.1 The addresses of the parties for purposes of this Agreement shall be the addresses first written above, or any other address which shall be provided by due notice.

9.2 All notices in connection with this Agreement shall be sent by registered mail or delivered by hand to the addresses set forth above, and shall be deemed to have been delivered to the other party at the earlier of the following two dates: if sent by registered mail, as aforesaid, 3 (three) business days from the date of mailing; if delivered by hand, upon actual delivery or proof of delivery at the address of the addressee (in the event of a refusal to accept it).

Delivery by email or other electronic communication shall be sufficient and be deemed to have occurred upon electronic confirmation of receipt.

10. **Miscellaneous**

10.1 The preamble to this Agreement constitutes an integral part hereof.

10.2 Headings are included for reference purposes only and are not to be used in interpreting this Agreement.

10.3 This Agreement is a personal employment agreement and therefore no collective bargaining agreements whatsoever shall apply with respect to the relationship between the parties hereto.

10.4 No failure, delay of forbearance of either party in exercising any power or right hereunder shall in any way restrict or diminish such party’s rights and powers under this Agreement, or operate as a waiver of any breach or nonperformance by either party of any terms or conditions hereof.

10.5 Any determination of the invalidity or unenforceability of any provision of the Agreement shall not affect the remaining provisions hereof unless the business purpose of this Agreement is substantially frustrated thereby.

10.6 This Agreement is personal and non-assignable by Employee. It shall inure to the benefit of any corporation or other entity with which the Company shall merge or consolidate or to which the Company shall lease or sell all or substantially all of its assets, and may be assigned by the Company to any affiliate of the Company or to any corporation or entity with which such affiliate shall merge or consolidate or which shall lease or acquire all or substantially all of the assets of such affiliate. Any assignee must assume all the obligations of the Company hereunder, but such assignment and assumption shall not serve as a release of the Company.

10.7 This Agreement and any annexes thereto constitute an “employee notice” as required under the Employee’s Notice (Terms of Employment) Law - 2002.
This Agreement, including any annexes thereto, constitutes the entire understanding and agreement between the parties hereto, supersedes any and all prior discussions, agreements and correspondence with regard to the subject matter hereof, and may not be amended, modified or supplemented in any respect, except by a subsequent writing executed by both parties hereto.

It is hereby agreed between the parties that this Agreement shall be governed by and construed according to the laws of the State of Israel. Any dispute arising under or relating to this Agreement or any transactions contemplated herein shall be resolved by the courts of Tel Aviv, and each of the parties hereby submits irrevocably to the exclusive jurisdiction of such venue.
IN WITNESS WHEREOF, the parties have executed this Personal Employment Agreement as of the date first above written.

LEMONADE LTD. 

/s/ Daniel Schreiber 
By: Daniel Schreiber 
Title: CEO 

EMPLOYEE

/s/ Daniel Schreiber 

By: Daniel Schreiber 
Title: CEO 

ANNEX A

1. Employee Personal Details:
   - Full Name: Daniel Schreiber
   - Israeli I.D. Number: [ ]
   - Address: [ ]
   - Phone No.: [ ]

2. Position in the Company: CEO

3. Supervisor / direct manager: Board of Directors of the Company

4. Employment Starting Date: July 1, 2015

5. Period of Prior Written Notice: 90 days

6. Monthly Salary: NIS 55,000 to be paid no later than the 9th day of each month.

7. Severance: Upon termination of Employment, unless Employee is terminated for Cause, the Company shall pay the Employee a gross amount equal to nine (9) Monthly Salaries and the value of all benefits in respect of nine months of employment and any options or other securities held by the Employee which will be vesting at the time of termination shall accelerate by nine (9) months. Monies accrued in the managers insurance fund shall be released to the Employee and shall not be included in the calculation of the (9) Monthly Salaries.

8. Contributions to Managers Insurance (percentages out of the Monthly Salary):
   i. Company shall contribute 13.33%, of which: 8.33% shall constitute payment towards severance pay component and 5% shall constitute payment towards providence component.
   ii. 5% shall be contributed by the Employee and deducted from Employee’s Monthly Salary.
   iii. In addition, the Company shall make provision for the loss of earning capacity component at the lower of: 2.5% of the Monthly Salary or such amount as shall be required to ensure 75% of the Monthly Salary.
9. Contributions to Education Fund (percentages out of the Monthly Salary):

Following the completion of three consecutive month period commencing on the Employment Starting Date and provided that Employee is still employed by the Company, Company shall contribute an amount equal to 7.5% of the Employee’s Monthly Salary, and the Employee shall contribute an amount equal to 2.5% of the Monthly Salary. The Employee instructs the Company to transfer to such Education Fund the amount of Employee’s contribution from each Monthly Salary.

In the event of termination of Employee’s employment under this Agreement for any reason other than a termination for Cause (as defined in the Agreement) Employee shall be entitled to all sums accumulated in the Education Fund. In the event of termination for Cause (as defined in the Agreement).

Employee shall not be entitled to any of Company’s contributions to the Education Fund made during the Agreement.

10. Annual Vacation Days:

35 days

11. Cellular Phone Expenses:

Cellular Phone- Company shall pay the Cellular Phone Expenses directly to the cellular phone carrier. Other terms are as above.

12. Car and Travel:

Group 5 car to be chosen by the Employee. Unlimited mileage. All expenses of the car (including tolls roads & tunnels, parking costs) shall be covered by the Company. International travel pursuant to the Company’s policy which shall include business class flights for all international travel of more than 5 hours duration. At Employee’s option, the Employee may waive the right to a car and receive the gross lease costs as part of the Monthly Salary (fuel and expenses above will continue to be covered by the Company).
ANNEX B
Other Engagements

- Employee serves on the board of Powermat Technologies Ltd, and may serve on other boards from time to time.
- Employees is a Council member GLG (Gerson Lehrman Group), and may provide this or similar ad-hoc consultations and presentations on a paid or unpaid basis.
ANNEX C
GENERAL APPROVAL REGARDING PAYMENTS BY EMPLOYERS TO A PENSION FUND AND INSURANCE FUND IN LIEU OF SEVERANCE PAY UNDER THE SEVERANCE PAY LAW, 5723-1963

[ ]
ANNEX E
CAR (ATTACHED)
ANNEX E

Proprietary Information, Assignment of Inventions, Non-Disclosure and Non-Compete Agreement
AMENDMENT TO EMPLOYMENT AGREEMENT
Executed on this 29 day of July 2015

THIS AMENDMENT (the “Amendment”) to the Employment Agreement dated July 2015 (the “Employment Agreement” and the “Agreement Date” respectively) is entered into this 29 day of July 2015 (the “Effective Date”), by and between Lemonade Ltd. (the “Company”) and Daniel Schreiber (the “Employee”).

WHEREAS, the Company and the Employee have entered into the Employment Agreement; and

WHEREAS, the Employment Agreement includes certain provisions which the parties mutually wish to amend as set forth herein.

NOW, THEREFORE, the parties hereto agree to amend the Employment Agreement as follows:

1. **Annex A.**
   
   Annex A to the Employment Agreement is hereby deleted and replaced in its entirety by Annex A hereto.

2. **Annex B.**
   
   Annex A to the Employment Agreement is hereby deleted and replaced in its entirety by Annex A hereto.

3. **Survival of Provisions.**
   
   Except as otherwise amended and modified hereby, which amendments shall have effect on the entire Employment Agreement, the provisions of the Employment Agreement shall remain in full force and effect.

4. **General.**
   
   4.1 Employee hereby acknowledges that he is aware that this Amendment shall take effect as of the Effective Date.

   4.2 This Amendment shall be deemed for all intents and purposes as an integral part of the Employment Agreement. Employee acknowledges that he has read and fully understood all the provisions of this Amendment and that the signing of this Amendment was made at Employee’s own free will.

   [signature page follows]
IN WITNESS WHEREOF, the parties have executed this Amendment as of the Effective Date.

/s/ Daniel Schreiber       /s/ Daniel Schreiber

LEMONADE LTD.               DANIEL SCHREIBER

By: ___________________________

Title: ___________________________
# Annex A

1. Employee Personal Details:  
   - Full Name: Daniel Schreiber  
   - Israeli I.D. Number: [ ]  
   - Address: [ ]  
   - Phone No.: [ ]

2. Position in the Company:  
   - CEO

3. Supervisor / direct manager:  
   - Board of Directors of the Company

4. Employment Starting Date:  
   - July 1, 2015

5. Period of Prior Written Notice:  
   - 90 days

6. Monthly Salary:  
   - NIS 55,000 to be paid no later than the 9th day of each month.

7. Severance:  
   - Upon termination of Employment, unless Employee is terminated for Cause, the Company shall pay the Employee a gross amount equal to three (3) Monthly Salaries and the value of all benefits in respect of nine months of employment and any options or other securities held by the Employee which will be vesting at the time of termination shall accelerate by three (3) months.

8. Contributions to Managers Insurance (percentages out of the Monthly Salary):  
   - i. Company shall contribute 13.33%, of which: 8.33% shall constitute payment towards severance pay component and 5% shall constitute payment towards providence component).  
   - ii. 5% shall be contributed by the Employee and deducted from Employee’s Monthly Salary.  
   - iii. In addition, the Company shall make provision for the loss of earning capacity component at the lower of: 2.5% of the Monthly Salary or such amount as shall be required to ensure 75% of the Monthly Salary.
9. Contributions to Education Fund (percentages out of the Monthly Salary):

Following the completion of three consecutive month period commencing on the Employment Starting Date and provided that Employee is still employed by the Company, Company shall contribute an amount equal to 7.5% of the Employee’s Monthly Salary, and the Employee shall contribute an amount equal to 2.5% of the Monthly Salary. The Employee instructs the Company to transfer to such Education Fund the amount of Employee’s contribution from each Monthly Salary.

In the event of termination of Employee’s employment under this Agreement for any reason other than a termination for Cause (as defined in the Agreement) Employee shall be entitled to all sums accumulated in the Education Fund. In the event of termination for Cause (as defined in the Agreement).

Employee shall not be entitled to any of Company’s contributions to the Education Fund made during the Agreement.

10. Annual Vacation Days:

As determined by management in consultation with the with the board but no less than the minimum required by law.

11. Cellular Phone Expenses:

Cellular Phone- Company shall pay the Cellular Phone Expenses directly to the cellular phone carrier. Other terms are as above.

12. Car and Travel:

Group 5 car to be chosen by the Employee. Unlimited mileage. All expenses of the car (including tolls roads & tunnels, parking costs) shall be covered by the Company. International travel pursuant to the Company’s policy which shall include business class flights for all international travel of more than 5 hours duration. At Employee’s option, the Employee may waive the right to a car and receive the gross lease costs as part of the Monthly Salary (fuel and expenses above will continue to be covered by the Company).
ANNEX B

Director of Powermat Ltd.
GLG Council member
This Personal Employment Agreement ("Agreement") is entered into this day of July 2015 (the “Effective Date”), by and between Lemonade Ltd., a private company incorporated under the laws of the State of Israel having its principal office at 38 Keren Hayesod Street, Jerusalem, Israel (the “Company”) and the employee whose details are specified in Annex A hereto (the “Employee”).

WITNESSETH

WHEREAS, the Company desires to engage the Employee in the position indicated hereinafter and the Employee represents that he has the requisite skills and knowledge to serve in such position; and

WHEREAS, the parties desire to state the terms and conditions of the Employee’s engagement with the Company, effective as of the Employment Starting Date, as such term is defined hereinafter, all subject to the terms set forth below.

NOW THEREFORE, in consideration of the mutual promises contained herein, and intending to be legally bound, the parties hereto hereby declare and agree as follows:

1. Appointment; The Position

1.1 The Company hereby appoints the Employee to the position detailed in Annex A. The Employee shall perform the services and duties hereunder in accordance with the Company’s policy, under the supervision of the person(s) detailed in Annex A and in accordance with his/her instructions and in any other framework as the Company shall direct in order to facilitate its needs.

1.2 The parties hereto warrant and confirm that Employee’s employment by the Company shall commence on the date specified in Annex A (the “Employment Starting Date”). The provisions of this Agreement shall apply to the parties as of the Employment Starting Date.

1.3 The Employee shall perform his/her duties hereunder at the Company’s principal offices indicated above or at such other offices in either the Jerusalem or Tel Aviv areas. The Employee acknowledges and agrees that the performance of his/her duties hereunder may require domestic and international travel.

1.4 This Agreement is specific and personal and exclusively determines the Employee’s terms of employment.

2. Devotion of Time

2.1 As of the Employment Starting Date, Employee shall devote the required and necessary business time, attention and efforts to the performance of his/her duties and responsibilities hereunder. The Employee shall perform the duties and responsibilities hereunder with expertise and in a professional and efficient manner.

2.2 During the term of this Agreement, and unless and until otherwise agreed, Employee shall be employed on a full-time basis, with Friday and Saturday as rest days.
The performance of Employee’s responsibilities requires work during over-time hours, over and above the regular working days and hours and the Employee undertakes to work these hours in accordance with the Company’s demands and requirements.

2.3 As of the Employment Starting Date, Employee shall not engage in any other business activities, whether or not such business activities are conducted outside of normal business hours and whether or not such activities are pursued for gain or profit unless specifically approved by the Company. The above notwithstanding, it is hereby clarified and agreed that: (i) the Employee may engage in volunteer work; (ii) as of the Effective Date, the Employee is currently engaged and may continue to be engaged with the entities listed on Annex B hereto, and (iii) the Employee may engage in other unpaid activities upon notification to the Company, provided however, that in each case, unless otherwise approved by the Company, such engagements will not disrupt or interfere with Employee’s performance of the duties and responsibilities hereunder, shall not be conducted during the time Employee is obligated to devote for the performance of his/her duties and responsibilities according to this Agreement and/or compete with the Company’s and/or any of its subsidiaries’ and/or any of its affiliates’ business.

2.4 Employee’s position within the Company is (i) a high senior position, (ii) requires a special measure of personal trust and loyalty and (iii) is of conditions and circumstances of which it is impossible for the Company to control Employee’s working hours and hours of rest. Accordingly, the Law of Working Hours and Rest, 5711-1951 shall not apply to the employment of the Employee.

3. Term and Termination

3.1 This Agreement shall be effective as of the Employment Starting Date, and shall continue until terminated in accordance with the provisions of Section 3.2 or 3.3 hereinafter.

3.2 The Company and the Employee may terminate this Agreement at any time by giving the other party a prior written notice of termination, of a period detailed in Annex A.

3.3 The Company may waive in writing and in advance Employee’s services in any prior notice period. In the event that the Company notifies Employee of such waiver, the Company shall be entitled to pay Employee the Monthly Salary (as defined below) otherwise payable to Employee during such prior notice period in one lump-sum and by doing so bring the employer-employee relations between the parties to end upon such payment.

3.4 Notwithstanding the above, the Company shall have the right to immediately terminate this Agreement for a Cause, as determined by the Company. A “Cause” shall mean either (i) circumstances entitling the Company under any applicable law to terminate the employment of the Employee without payment of severance pay; (ii) any material breach by the Employee of this Agreement, any breach of the NDA or any breach of the Employee’s fiduciary duties; (iii) conviction of the Employee of any felony involving moral turpitude and/or (iv) a willful failure to perform Employee’s responsibilities or duties which failure has a significant adverse effect on the Company in cases (ii) and (iv) above, but in each case only if the Employee did not cure such breach within seven (7) days of written notification of the same by the Company. Subject to section 5.1 (iv), in the event of termination for
Cause, Employee’s entitlement to severance pay will be subject to Sections 16 and 17 of the Severance Pay Law 5723-1963 (the “Severance Law”) and/or any other applicable law.

4. **Salary**

During the term of this Agreement, the Company shall pay Employee a monthly gross salary in a total amount detailed in Annex A (the “Monthly Salary”).

5. **Additional Benefits**

5.1 **Pension Insurance.** As of the Employment Starting Date, the Company shall insure the Employee under an accepted “Managers Insurance Plan” (the “Managers Insurance”) and/or a comprehensive pension plan (the “Pension Plan”). The Managers Insurance and/or Pension Plan shall be provided through an agency/agent selected by the Employee, by an insurance company and/or a pension fund, to be selected by the Employee and approved by the Company. For the avoidance of doubt, the Company’s contributions may exceed the maximum exemption from income tax allowed by any applicable law and regulations.

(i) In the case of a Pension Plan, the percentages detailed in Annex A shall be contributed.

(ii) In the case of a Managers Insurance, the percentages detailed in Annex A shall be contributed. The Company shall make additional payments, as detailed in Annex A, on account of insurance for loss of earning capacity.

(iii) The Employee hereby instructs the Company to transfer to such Managers Insurance and/or Pension Plan the amount of Employee’s and the Company’s contribution from the Monthly Salary, as detailed in Annex A.

(iv) The Company and the Employee agree and acknowledge that the Company’s contribution towards the Managers Insurance or Pension Plan as set forth in this Section 5.1, are in lieu of severance payments to which the Employee (or his beneficiaries) is otherwise entitled to with respect to the Monthly Salary upon which such contributions were made and for the period in which they were made, pursuant to Section 14 of the Severance Law. The parties hereby adopt the General Approval of the Minister of Labor and Welfare, which is attached hereto as Annex C. The Company hereby forfeits any right it may have for reimbursement of sums paid by the Company into the Managers Insurance or Pension Plan, except: (i) in the event that the Employee withdraws such sums from the Managers Insurance or Pension Plan, other than in the event of death, disability or retirement at the age of 60 or more; or (ii) upon the occurrence of any of the events provided for in Sections 16 and 17 of the Severance Law, subject to the terms of the General Approval.

5.2 **Additional Benefits.** Employee shall receive additional benefits, if any, as detailed in Annex A.

5.3 **Annual Vacation.** Employee shall be entitled to paid vacation days during each year of employment with the Company as detailed in Annex A, but in any event no less than the number of annual vacation days prescribed by law. Employee shall be obligated to take at least one vacation each year of at least 7 consecutive days (5 working days which shall be counted as vacation days and 2 rest days), as prescribed by law. Any vacation day not used
by the Employee during the year will be cancelled on 1\textsuperscript{st} January of the following year and no vacation days shall be redeemed at any time.

For the avoidance of doubt, the dates of the Employee’s vacation shall be coordinated with the Company.

In addition, to the extent that the Employee requires additional vacation days, the Employee is entitled to request such days from the Supervisor and coordinate such vacation with the Company at its discretion and according to the Company’s policy from time to time. The Company shall be entitled to set uniform dates for vacation for all or part of its employees, with respect to all or any part of the vacation days, as it shall deem fit.

5.4 Cellular Phone; Laptop. If detailed on Annex A, Company shall provide Employee with a laptop (the “Laptop”) and shall bear the costs of maintaining a cellular phone, subject to the Company’s policy and as detailed below (the “Cellular Phone Expenses”) for Employee’s use in the course of performing his/her obligations under this Agreement.

Company shall bear all expenses in connection with the use and maintenance of the Laptop, including, internet services, in accordance with the Company’s policies from time to time. The Cellular Phone Expenses as well as the maintenance of the Cellular Phone shall be subject to Company’s policy from time to time, as well as its agreement with the cellular company.

In order to benefit from the payment of the Cellular Phone Expenses, the Employee shall be required to sign and execute any form which transfers the line of the Cellular Phone to the business plan of the Company such that the Company shall pay the Cellular Phone Expenses directly to the cellular Company, the identity of the cellular company as well as the plan so chosen for the Employee shall be determined by the Company at its sole discretion. To the extent that the Employee will request to upgrade the plan provided by the Company, the Company may require that the Employee pays the amount which exceeds the Cellular Phone Expenses and the Employee hereby irrevocably authorizes Company to deduct and set off from his Monthly Salary such excess amount. The Employee shall sign the necessary documents required to transfer the line back to Employee’s ownership no later than his/her last day of work with the Company and the Company shall be permitted to disconnect the line immediately thereafter.

The Employee shall bear (and hereby irrevocably authorizes Company to deduct and set off from his Monthly Salary) all tax obligations related to the use of the Laptop and the Cellular Phone Expenses, if any. The Employee shall return the Laptop to the Company no later than his/her last day of work with the Company. The Employee shall have no rights of ownership in Laptop, nor any rights to any lien or charge with respect thereto.

The use of the Laptop and payment of Cellular Phone Expenses shall not be considered in any case whatsoever as part of the Monthly Salary and Employee will not receive any social benefits on the imputed income related to the grant of the Laptop hereunder or the payment of the Cellular Phone Expenses.

5.5 Sick Leave & Recreation pay. The Employee shall be entitled to sick leave (commencing the first day of sickness), and to recreation pay (“dmei havra’ah”) according to any applicable law.
In the event the Employee is provided with a car (the “Car”), the Car, if provided to Employee, shall be for work related purposes only, in accordance with the Company’s vehicle policy and subject to the provisions of Annex A hereto and the Car Use Appendix attached hereto as Annex D. It is hereby clarified that the Car shall come in lieu of any payment in respect of travel expenses required by law. The use of the Car shall not be considered in any case whatsoever as part of the Monthly Salary and Employee will not be entitled to receive any social benefits on the imputed income related to the grant of the Car hereunder, and shall bear all taxes and other compulsory payments associated with such imputed income.

6. **Tax Withholding**

For avoidance of doubt, all payments and benefits under this Agreement are gross amounts. Any tax consequences arising from the grant or exercise of any option or right or from any payment made to Employee under this Agreement or any other event or act, whether on Employee’s part or the Company’s part, shall be borne solely by Employee (other than taxes which are imposed by law on the Company). The Company shall withhold the applicable taxes as required under any applicable law from any Monthly Salary and/or from all other payments and/or benefits granted to Employee under this Agreement.

7. **Proprietary Information & Non Disclosure**

The provisions of the Proprietary Information, Assignment of Inventions, Non Disclosure and Non Compete Agreement attached hereto as Annex E (the “NDA”) are hereby incorporated by reference. Employee hereby acknowledges and agrees that this Agreement shall not come into force, unless the NDA is executed. The provisions of the NDA shall survive the rescission or termination, for any reason, of this Agreement.

8. **Representations**

8.1 Employee represents and warrants to the Company that the execution and delivery of this Agreement and the fulfillment of the terms hereof (i) will not constitute a default under or conflict with any agreement or other instrument to which he is or was a party or by which he is bound, and (ii) does not require the consent of any person or entity.

8.2 The Employee represents that the Employee has the requisite skills and knowledge to perform his/her duties, responsibilities and obligations under this Agreement.

8.3 Employee represents and warrants that the Employee will use the Company’s assets and equipment (including the Laptop, Cellular Phone, email account assigned to it by the Company, and/or documentation) (collectively “Company’s Equipment”) primarily for the purpose of his/her employment.

8.4 The Employee acknowledges and agrees as follows: (i) upon reasonable suspicion of a breach of the provisions of this Agreement or applicable law, the Company shall have the right to conduct inspections on any and all the Company’s computers, including inspections of electronic mail transmissions in the email account assigned to him/her by the Company, internet usage and inspections of their content, all subject to applicable law. For the avoidance of any doubt, it is hereby clarified that all findings of any such examinations shall
be the Company’s sole property; and (ii) in any and all times the Employee will transfer to the Company the log-on passwords to the computer/Laptop provided by the Company and the Company assigned email account.

9. **Notice; Addresses**

9.1 The addresses of the parties for purposes of this Agreement shall be the addresses first written above, or any other address which shall be provided by due notice.

9.2 All notices in connection with this Agreement shall be sent by registered mail or delivered by hand to the addresses set forth above, and shall be deemed to have been delivered to the other party at the earlier of the following two dates: if sent by registered mail, as aforesaid, 3 (three) business days from the date of mailing; if delivered by hand, upon actual delivery or proof of delivery at the address of the addressee (in the event of a refusal to accept it).

Delivery by email or other electronic communication shall be sufficient and be deemed to have occurred upon electronic confirmation of receipt.

10. **Miscellaneous**

10.1 The preamble to this Agreement constitutes an integral part hereof.

10.2 Headings are included for reference purposes only and are not to be used in interpreting this Agreement.

10.3 This Agreement is a personal employment agreement and therefore no collective bargaining agreements whatsoever shall apply with respect to the relationship between the parties hereto.

10.4 No failure, delay of forbearance of either party in exercising any power or right hereunder shall in any way restrict or diminish such party’s rights and powers under this Agreement, or operate as a waiver of any breach or nonperformance by either party of any terms or conditions hereof.

10.5 Any determination of the invalidity or unenforceability of any provision of the Agreement shall not affect the remaining provisions hereof unless the business purpose of this Agreement is substantially frustrated thereby.

10.6 This Agreement is personal and non-assignable by Employee. It shall inure to the benefit of any corporation or other entity with which the Company shall merge or consolidate or to which the Company shall lease or sell all or substantially all of its assets, and may be assigned by the Company to any affiliate of the Company or to any corporation or entity with which such affiliate shall merge or consolidate or which shall lease or acquire all or substantially all of the assets of such affiliate. Any assignee must assume all the obligations of the Company hereunder, but such assignment and assumption shall not serve as a release of the Company.

10.7 This Agreement and any annexes thereto constitute an “employee notice” as required under the Employee’s Notice (Terms of Employment) Law - 2002.
10.8 This Agreement, including any annexes thereto, constitutes the entire understanding and agreement between the parties hereto, supersedes any and all prior discussions, agreements and correspondence with regard to the subject matter hereof, and may not be amended, modified or supplemented in any respect, except by a subsequent writing executed by both parties hereto.

10.9 It is hereby agreed between the parties that this Agreement shall be governed by and construed according to the laws of the State of Israel. Any dispute arising under or relating to this Agreement or any transactions contemplated herein shall be resolved by the courts of Tel Aviv, and each of the parties hereby submits irrevocably to the exclusive jurisdiction of such venue.

{Remainder of Page Intentionally Left Blank. Signature Page to Follow}
IN WITNESS WHEREOF, the parties have executed this Personal Employment Agreement as of the date first above written.

LEMONADE LTD. 

/s/ Daniel Schreiber 
By: Daniel Schreiber 
Title: CEO

/s/ Shai Wininger 

Shai Wininger 

EMPLOYEE

ANNEX A

1. Employee Personal Details:
   Full Name: Shai Wininger
   Israeli I.D. Number: [ ]
   Address: [ ]
   Phone No.: [ ]

2. Position in the Company: 
   CTO

3. Supervisor / direct manager: 
   Board of Directors of the Company

4. Employment Starting Date: 
   July 1, 2015

5. Period of Prior Written Notice:
   90 days

6. Monthly Salary: 
   NIS 55,000 to be paid no later than the 9th day of each month.

7. Severance: 
   Upon termination of Employment, unless Employee is terminated for Cause, the Company shall pay the Employee a gross amount equal to nine (9) Monthly Salaries and the value of all benefits in respect of nine months of employment and any options or other securities held by the Employee which will be vesting at the time of termination shall accelerate by nine (9) months.

8. Contributions to Managers Insurance (percentages out of the Monthly Salary): 
   i. Company shall contribute 13.33%, of which: 8.33% shall constitute payment towards severance pay component and 5% shall constitute payment towards providence component).
   ii. 5% shall be contributed by the Employee and deducted from Employee’s Monthly Salary.
   iii. In addition, the Company shall make provision for the loss of earning capacity component at the lower of: 2.5% of the Monthly Salary or such amount as shall be required to ensure 75% of the Monthly Salary.
9. Contributions to Education Fund (percentages out of the Monthly Salary):

Following the completion of three consecutive month period commencing on the Employment Starting Date and provided that Employee is still employed by the Company, Company shall contribute an amount equal to 7.5% of the Employee’s Monthly Salary, and the Employee shall contribute an amount equal to 2.5% of the Monthly Salary. The Employee instructs the Company to transfer to such Education Fund the amount of Employee’s contribution from each Monthly Salary.

In the event of termination of Employee’s employment under this Agreement for any reason other than a termination for Cause (as defined in the Agreement) Employee shall be entitled to all sums accumulated in the Education Fund. In the event of termination for Cause (as defined in the Agreement), Employee shall not be entitled to any of Company’s contributions to the Education Fund made during the Agreement.

10. Annual Vacation Days: 35 days

11. Cellular Phone Expenses:

Cellular Phone- Company shall pay the Cellular Phone Expenses directly to the cellular phone carrier. Other terms are as above.

12. Car and Travel:

Group 5 car to be chosen by the Employee. Unlimited mileage. All expenses of the car (including tolls roads & tunnels, parking costs) shall be covered by the Company. International travel pursuant to the Company’s policy which shall include business class flights for all international travel of more than 5 hours duration. At Employee’s option, the Employee may waive the right to a car and receive the gross lease costs as part of the Monthly Salary (fuel and expenses above will continue to be covered by the Company).
ANNEX C
GENERAL APPROVAL REGARDING PAYMENTS BY EMPLOYERS TO A PENSION FUND AND INSURANCE FUND IN LIEU OF SEVERANCE PAY UNDER THE SEVERANCE PAY LAW, 5723-1963

[ ]
AMENDMENT TO EMPLOYMENT AGREEMENT
Executed on this 29 day of July 2015

THIS AMENDMENT (the “Amendment”) to the Employment Agreement dated July 2015 (the “Employment Agreement” and the “Agreement Date” respectively) is entered into this 29 day of July 2015 (the “Effective Date”), by and between Lemonade Ltd. (the “Company”) and Shai Wininger (the “Employee”).

WHEREAS, the Company and the Employee have entered into the Employment Agreement; and

WHEREAS, the Employment Agreement includes certain provisions which the parties mutually wish to amend as set forth herein.

NOW, THEREFORE, the parties hereto agree to amend the Employment Agreement as follows:

1. **Annex A.**
   Annex A to the Employment Agreement is hereby deleted and replaced in its entirety by Annex A hereto.

2. **Annex B.**
   Annex A to the Employment Agreement is hereby deleted and replaced in its entirety by Annex A hereto.

3. **Survival of Provisions.**
   Except as otherwise amended and modified hereby, which amendments shall have effect on the entire Employment Agreement, the provisions of the Employment Agreement shall remain in full force and effect.

4. **General.**
   4.1 Employee hereby acknowledges that he is aware that this Amendment shall take effect as of the Effective Date.
   4.2 This Amendment shall be deemed for all intents and purposes as an integral part of the Employment Agreement. Employee acknowledges that he has read and fully understood all the provisions of this Amendment and that the signing of this Amendment was made at Employee’s own free will.

   [signature page follows]
IN WITNESS WHEREOF, the parties have executed this Amendment as of the Effective Date.

/s/ Daniel Schreiber       /s/ Shai Wininger
LEMONADE LTD.             SHAI WININGER

By: __________________________   By: __________________________
Title: ______________________   Title: ______________________
1. Employee Personal Details:
   - Full Name: Shai Wininger
   - Israeli I.D. Number: [    ]
   - Address: [    ]
   - Phone No.: [    ]

2. Position in the Company: CTO

3. Supervisor / direct manager: Board of Directors of the Company

4. Employment Starting Date: July 1, 2015

5. Period of Prior Written Notice: 90 days

6. Monthly Salary: NIS 55,000 to be paid no later than the 9th day of each month.

7. Severance:
   Upon termination of Employment, unless Employee is terminated for Cause, the Company shall pay the Employee a gross amount equal to three (3) Monthly Salaries and the value of all benefits in respect of nine months of employment and any options or other securities held by the Employee which will be vesting at the time of termination shall accelerate by three (3) months.

8. Contributions to Managers Insurance (percentages out of the Monthly Salary):
   i. Company shall contribute 13.33%, of which: 8.33% shall constitute payment towards severance pay component and 5% shall constitute payment towards providence component).
   ii. 5% shall be contributed by the Employee and deducted from Employee’s Monthly Salary.
   iii. In addition, the Company shall make provision for the loss of earning capacity component at the lower of: 2.5% of the Monthly Salary or such amount as shall be required to ensure 75% of the Monthly Salary.
9. Contributions to Education Fund (percentages out of the Monthly Salary):

Following the completion of three consecutive month period commencing on the Employment Starting Date and provided that Employee is still employed by the Company, Company shall contribute an amount equal to 7.5% of the Employee’s Monthly Salary, and the Employee shall contribute an amount equal to 2.5% of the Monthly Salary. The Employee instructs the Company to transfer to such Education Fund the amount of Employee’s contribution from each Monthly Salary.

In the event of termination of Employee’s employment under this Agreement for any reason other than a termination for Cause (as defined in the Agreement) Employee shall be entitled to all sums accumulated in the Education Fund. In the event of termination for Cause (as defined in the Agreement).

Employee shall not be entitled to any of Company’s contributions to the Education Fund made during the Agreement.

10. Annual Vacation Days:

As determined by management in consultation with the board but no less than the minimum required by law.

11. Cellular Phone Expenses:

Cellular Phone- Company shall pay the Cellular Phone Expenses directly to the cellular phone carrier. Other terms are as above.

12. Car and Travel:

Group 5 car to be chosen by the Employee. Unlimited mileage. All expenses of the car (including tolls roads & tunnels, parking costs) shall be covered by the Company. International travel pursuant to the Company’s policy which shall include business class flights for all international travel of more than 5 hours duration. At Employee’s option, the Employee may waive the right to a car and receive the gross lease costs as part of the Monthly Salary (fuel and expenses above will continue to be covered by the Company).
Member of the Board of Directors - Fiverr
Mentor in the Zell Program and in The Junction
Founder team mentor - Bizzabo (paid)
Occasional talks and lectures (both local and international)
LEMONADE, INC.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made as of the 3rd day of October 2016, effective as of September 26, 2016, between Lemonade, Inc., a Delaware corporation (the "Company") and John Peters, residing at [ ] (the "Employee").

WHEREAS, the Company desires to employ Employee as Chief Underwriting Officer of the Company, to engage in such activities and render such services under the terms and conditions hereof and has authorized and approved the execution of this Agreement; and

WHEREAS, Employee desires to be employed by the Company under the terms and conditions hereinafter provided;

NOW, THEREFORE, in consideration of the mutual covenants and undertakings herein contained, it is covenanted and agreed by and between the parties as follows:

1. **Services.** The Company hereby employs Employee to render services as Chief Underwriting Officer of the Company, assuming and discharging such responsibilities as are commensurate with Employee’s position and as are reasonably directed or requested by his/her direct Supervisor (as defined below) and the Chief Executive Officer ("CEO") of the Company and as are detailed in Exhibit A (the “Services”). The Employee acknowledges and agrees that the performance of the Services may require domestic and international travel. The Employee shall be subject to and shall perform the Services as directed by the CEO or whoever is appointed by him for this purpose (the “Direct Supervisor”). The parties hereto warrant and confirm that the Services shall commence on September 26, 2016 (the “Employment Starting Date”). The provisions of this Agreement shall apply to the parties as of the Employment Starting Date. Employee shall use his/her best efforts, skills and abilities in the performance of the Services, shall perform the Services faithfully, and shall devote Employee’s full business time and effort to the performance of the Services, other than as set forth in Exhibit B. This Section 1, however, shall not be construed to prevent Employee from making passive outside investments so long as such investments do not require time of Employee during regular business hours or otherwise interfere with the performance of Employee’s duties and obligations hereunder.

2. **Incorporation of Company Policies.** Every term of the Company’s Intellectual Property, Confidentiality and Non-Competition Policy is specifically incorporated into this Agreement, a copy of which is attached as Exhibit C. In addition, the Company’s Employee Handbook and such other policies as the Company may adopt from time to time of which Employee is advised shall be a part of and incorporated into this Agreement.

3. **Compensation.** Employee shall be entitled to compensation under the following terms for the duration of his/her employment with the Company:

   3.1 **Base Salary.** Employee shall be entitled to compensation of $225,000 per annum (the “Base Salary”). The Company will review Employee’s performance and compensation at least annually, and it may, at the discretion of the Board from time to time, increase
the compensation to be paid to Employee or provide additional compensation to Employee, whether permanently or for a limited period of time, in order to recognize and fairly compensate Employee for the value of his/her services to the Company.

3.2 **Benefits.** Employee shall be entitled to participate in any and all employee welfare and health benefit plans including, but not limited to, life insurance, health and medical, dental, and disability plans, and other employee benefit plans, including but not limited to qualified pension plans and 401(k) plans, which may be established by the Company from time to time for the benefit of other Company employees. Employee shall be required to comply with the conditions attendant to coverage by such plans and shall comply with and be entitled to benefits only in accordance with the terms and conditions of such plans as they may be amended from time to time. Nothing herein shall be construed as requiring Company to establish or continue any particular benefit plan in discharge of its obligations under this Agreement.

3.3 **Personal Time Off.** In addition to holidays observed by Company, Employee shall be entitled to a total of 20 days of paid Personal Time Off which includes vacation, personal, and sick days (“Personal Time Off”) during which all compensation, earned benefits and other rights that the Employee is entitled to hereunder shall be provided in full. The Employee may take such Personal Time Off in the Employee’s discretion, and at such time or times as are not inconsistent with the reasonable business needs of the Company. Nothing herein shall be construed to create entitlement on behalf of the Employee for paid Personal Time Off as an earned or accrued benefit or as earned or accrued compensation of any kind.

3.4 **Deductions from Compensation and Benefits.** The Company may withhold from any compensation or benefits payable to Employee all federal, state, local, and other taxes and other amounts as permitted or required by applicable law, rule or regulation.

3.5 **Business Expenses.** It is hereby clarified that unless indicated specifically otherwise in this Agreement, the Base Salary includes reimbursement for all daily travel expenses, costs, food costs, out-of-pocket and/or other expenses relating to the performance of the Services, and that the Employee shall not be entitled to any additional payment in connection with the Services. Notwithstanding the above, the Employee shall be entitled to reimbursement of (i) extraordinary expenses necessary for the performance of the Service that such expenses have been approved in advance and in writing by and (ii) reasonable costs and expenses relating to Employee’s travel home and the Company’s offices in New York, New York,

3.6 **Indemnification.** To the fullest extent permitted by law, the Company shall, both during and after Employee’s Termination Date, indemnify and defend Employee (including the advancement of expenses) for any judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys’ fees, incurred by Employee in connection with the defense of any lawsuit or other claim to which he is made a party by reason of being (or having been) an officer, director or employee of the Company or any of its subsidiaries or affiliates. In addition, Employee shall be covered, both during and up to 24 months after the Termination Date, by director and
officer liability insurance to the maximum extent that such insurance covers any officer or director (or former officer or director) of the Company.

4. **Termination.** The Company or the Employee may terminate this Agreement at any time for any reason or no reason, subject to the following provisions:

4.1 **Voluntary Termination.** Employee may voluntarily terminate his/her employment with the Company by providing written notice. In such event, the Company shall be released from any and all further obligations under this Agreement, except that the Company shall be obligated to pay Employee the compensation, benefits and reimbursable expenses owing to Employee through the date of such termination, provided that if Employee terminates for Good Reason, the Company also shall pay the Severance Benefits.

4.2 **Termination without Cause.** The Company may voluntarily terminate Employee’s employment without Cause by providing written notice to Employee. In such event, the Company shall be released from any and all further obligations under this Agreement, except that the Company shall be obligated to pay Employee the compensation, benefits and reimbursable expenses owing to Employee through the date of such termination and the Severance Benefits.

4.3 **At Will Employment.** All employment with the Company is, and remains, at will, which means that Employee is not guaranteed any particular length of employment, and that either Employee or the Company can end the relationship at any time, with or without cause and with or without notice. No one can alter the at will nature of the employment relationship except by an express statement in writing.

4.4 **Termination for Cause.** Employee may be terminated at any time for “Cause” (defined below) by written notice to Employee setting forth in reasonable detail the nature of the Cause, and, in such event, the Company shall be released from any and all further obligations under this Agreement, except that the Company shall be obligated to pay Employee, or Employee’s heir and assigns, his/her Base Salary and benefits, and reimbursable expenses owing to Employee through the date of such termination.

4.5 **Termination due to Death or Disability.** This Agreement shall terminate upon the death of Employee, and Employee may be terminated by reason of “Disability” and, in either such event, the Company shall be released from any and all further obligations under this Agreement, except that the Company shall be obligated to pay Employee, or Employee’s heirs or estate, his/her Base Salary, benefits and reimbursable expenses owing to Employee through the date of such termination.

4.6 **Cause.** “Cause” for Termination shall include the following conduct of the Employee:

4.6.1 Breach of any material provision of this Employment Agreement by the Employee, provided that the Company must notify Employee in writing within 30 days of the date such purported breach occurs, and Employee shall have 30 days from Employee’s receipt of notice to cure the purported violation, with the Company’s reasonable cooperation during such period; further provided
that only two (2) such notices shall be required in any twelve (12) month period;

4.6.2 Material refusal to perform the duties assigned to the Employee under or pursuant to this Employment Agreement, which refusal has not been cured by the Employee after having been given ten (10) calendar days’ written notice of such breach provided, however, that only two (2) such notices shall be required in any twelve (12) month period;

4.6.3 Misappropriating material funds or material property of the Company so as to cause damage to the Company.

4.6.4 Violating any written policy of the Company set forth in the Company’s employee handbook, provided that the Company must notify Employee in writing within 30 days of the date such purported violation occurs, and Employee shall have 30 days from Employee’s receipt of notice to cure the purported violation, with the Company’s reasonable cooperation during such period.

4.6.5 A material breach of the Employee’s duty of loyalty to the Company;

4.6.6 Acts of material dishonesty by the Employee that cause the Company to be in violation of governmental regulations that subject the Company either to material sanctions by governmental authority or to material civil liability to its employees or third parties; or

4.6.7 Disclosure or use of confidential information of the Company, other than as specifically authorized and required in the performance of Employee’s duties.

4.7 Disability. “Disability” for termination pursuant to this Section 4 shall be defined as the inability of Employee to perform any of his/her essential duties hereunder for a period of one-hundred eighty (180) consecutive calendar days by reason of disability as a result of illness, accident or other physical or mental incapacity or disability. If there should be a dispute between the Company and Employee as to whether or not Employee has suffered a Disability, then the question shall be settled by the opinion of an impartial reputable physician or psychiatrist agreed on by the parties or their representatives, or if the parties cannot agree within ten (10) days after a request for designation of such party, then a physician or psychiatrist designated by any provider of disability insurance to the Company or, if none, each party shall select a physician or psychiatrist of their choice, and said physician/psychiatrists shall select a physician/psychiatrist who shall serve as the impartial party to resolve the determination of disability. The certification of such physician or psychiatrist as to the questioned dispute shall be final and binding on the parties hereto.

4.8 “Good Reason” means that the Employee has complied with the “Good Reason Process” (hereinafter defined) following the occurrence of any of the following events:

4.8.1 a material reduction of Employee’s then effective base salary;
a material reduction of Employee’s aggregate Company-provided benefits below those in effect immediately prior to such change, if such reduction is not applied as a part of an overall reduction in benefits in which Employee is treated proportionally with other employees, given his position, length of service, income and other relevant factors customary for companies such as the Company in the medical device industry at the time unless Employee accepts such reduction in writing;

a material reduction by the Company in Employee’s duties or responsibilities;

a failure or refusal of any acquiring or surviving corporation or other entity or person to assume the Company’s obligations under this Agreement

any material breach by the Company of any of the material provisions of this Agreement.

(each a “Good Reason Condition”).

“Good Reason Process” means that (i) Employee notifies the Company in writing of the occurrence of the Good Reason Condition within 60 days of the occurrence of such condition; (ii) Employee cooperates in good faith with the Company’s efforts, for a period not less than 30 days following such notice (the “Cure Period”), to remedy the Good Reason Condition; (iii) notwithstanding such efforts, the Good Reason condition continues to exist; and (iv) Employee terminates employment within 60 days after the end of the Cure Period

“Severance Benefits” shall mean (i) continuation of Employee’s base salary (as of the Termination Date or as of the day before any reduction in base salary leading to Employee’s termination for Good Reason, whichever is higher), payable in equal installments over the six months following the Termination Date (the Salary Continuation, and such period, the “Salary Continuation Period”), beginning on the Company’s first payroll date after the Termination Date; and (ii) if on the Termination Date Employee is covered by a Company-provided group health plan, and subject to Employee’s copayment of premium amounts at the active employees’ rate, the Company shall pay the remainder of the premiums for Employee’s participation in the Company’s group health plan pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"); provided that the Company’s payment obligation shall cease upon the earlier of the end of the Salary Continuation Period or the expiration of Employee’s rights under COBRA ((i) and (ii), the “Severance Benefits”).

“Termination Date” means the last day of Employee’s employment, regardless of the reason for the termination.

Payments and Other Matters. Following Employee’s termination for any reason, whether by Company or Employee, within ten (10) business days following the date of submission, the Company shall pay all claims for reimbursement of business
expenses that are submitted within thirty (30) days of termination and within thirty (30) days following the date of termination.

4.13 **No Mitigation.** In no event shall Employee be obligated to seek other employment or take any other action by way of mitigation of any amounts payable to Employee pursuant to Section 4 and such amounts shall not be reduced whether or not Employee obtains other employment or other engagements (including self-employment and independent contractor engagements).

4.14 **Survival.** In addition to any provisions of this Agreement that by their terms or nature are intended to survive termination of this Agreement, Section 2 (and Exhibit C hereto), 3.3, and 5.2 through 5.10, shall survive the termination of Employee’s employment, and the parties shall remain bound thereby.

5. **General Provisions.**

5.1 [Reserved]

5.2 **Injunctive Relief.** Employee agrees that in the event of any violation of this Agreement by Employee, the Company may be entitled, in addition to any other rights or remedies which it might have, to maintain an action for damages and permanent injunctive relief, and in addition the Company shall be entitled to preliminary injunctive relief, it being agreed and understood that the substantive and irreparable damages which a party might sustain upon any such violation could be impossible to ascertain in advance. Employee further agrees that nothing in this Agreement shall be construed as a limitation upon the remedies the Company might have for any wrongs of Employee. Employee acknowledges that any violation of his/her obligations described herein may result in disciplinary action, including dismissal from the Company, as well as and any other appropriate relief for the Company including money damages and equitable relief, together with associated attorney fees.

5.3 **Governing Law and Jurisdiction.** This Agreement shall be governed by and construed and enforced in accordance with the local laws of the State of New York. Each of the parties hereto irrevocably consents and submits to the jurisdiction of the Superior Court of the State of New York and the United States District Court for the District of New York in connection with any suit, action, or other proceeding concerning this Agreement. Employee waives and agrees not to assert any defense that the court lacks jurisdiction, venue is improper, inconvenient forum or otherwise. Employee agrees to accept service of process by certified mail at Employee’s last known address, unless Employee has previously provided an alternate address at which he agrees to accept service, in writing to the Company.

5.4 **Severability.** If any of the provisions of this Agreement shall be unlawful, void, or for any reason, unenforceable, such provision shall be deemed severable from, and shall in no way affect the validity or enforceability of, the remaining portions of this Agreement.
5.5 **Amendment and Waiver.** This Agreement may be amended, modified, superseded, canceled, renewed or extended and the terms or covenants hereof may be waived, only by a written instrument executed by both of the parties hereto, or in the case of a waiver, by the party waiving compliance. No superseding instrument, amendment, modification, cancellation, renewal or extension hereof shall require the consent or approval of any person other than the parties hereto. The failure of either party at any time or times to require performance of any provision hereof shall in no matter affect the right at a later time to enforce the same. No waiver by either party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.

5.6 **Notice.** All notices, requests, demands, and other communications hereunder must be in writing and shall be deemed to have been duly given if delivered by hand or mailed within the continental United States by first class, registered mail, return receipt requested, postage and registry fees prepaid, to the applicable party at the address set forth on the first page of this Agreement or such other address as may be designated, from time to time, by the parties in writing and shall be deemed received on the date delivered if delivered by hand and otherwise on the date received.

5.7 **Successors and Assigns.** Neither this Agreement, nor any of Employee’s rights, powers, duties or obligations hereunder, may be assigned by Employee without the prior written consent of Company. The Company has the right to assign this Agreement to any of its subsidiaries. In the event of any assignment of this Agreement, all terms and conditions herein will be binding upon and inure to the benefit of the parties hereto and their respective permitted transferees, successors, and assigns. Successors of the Company shall include, without limitation, any company or companies acquiring, directly or indirectly, all or substantially all of the assets of the Company, whether by merger, consolidation, purchase, lease or otherwise. Any such successor referred to in this paragraph shall thereafter be deemed “the Company” for the purpose hereof.

5.8 **Legal Expenses.** In the event of a dispute arising under this Agreement, the prevailing party shall be entitled to reimbursement of its costs and expenses (including attorney’s fees) from the non-prevailing party.

5.9 **Headings.** The descriptive headings of the several paragraphs of this Agreement are inserted for convenience of reference only and shall not constitute a part of this Agreement.

5.10 **Section 409A.** It is intended that the compensation and benefits provided under this Agreement shall comply with the provisions of Section 409A of the Internal Revenue Code (“Section 409A”) or qualify for an exemption to Section 409A, and this Agreement shall be construed and interpreted in accordance with such intent. Any payments that qualify for the “short term deferral” exception or another exception under Section 409A shall be paid under the applicable exception. Each payment
provided under this Agreement shall be treated as a separate payment for Section 409A purposes.

### Entire Agreement

This Agreement, including Exhibit C which shall form a part hereof, contains the entire agreement of the parties concerning the Employee’s employment and all promises, representations, understandings, arrangements and prior agreements on such subject are merged herein and superseded hereby. The provisions of this Agreement may not be amended, modified, repeated, waived, extended or discharged except by an agreement in writing signed by the parties hereto.
IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

Lemonade, Inc.                     Employee

/s/ Daniel Schreiber                    /s/ John Peters
Name:  Daniel Schreiber               Name:  John Peters
Title:  Chief Executive Officer
(a) **The Services**

Services to be rendered by the Employee shall include, without limitation, the following:

- [ ]
Exhibit B

List of Other Activities:

Employee is engaged in the formation of an insurance agency that will market insurance products to sailing clubs, yacht clubs and other sailing-related affinity groups. Employee’s role with the agency will be limited to owner, advisor and member of the board.
May 25, 2017

Timothy E. Bixby
[
]

Dear Tim,

I am pleased to offer to you an employment with Lemonade, Inc., a Delaware corporation, f/k/a Lemonade Group, Inc. (the “Company”), as the Chief Financial Officer of the Company, commencing June 1, 2017, or such later date as shall be agreed upon between us in writing following your acceptance of this offer. Your primary duties will include overseeing the financial, legal and administrative functions of the Company. Additionally, you will have such duties and responsibilities as may be determined by the Company’s management from time to time. You will be reporting to the Company’s CEO.

Your initial base annual salary will be $300,000, inclusive of all applicable income, social security and other taxes and charges that are required by law to be withheld by the Company, payable in accordance with the Company’s normal payroll practice for its similarly situated employees from time to time in effect.

You will be entitled to twenty (20) paid vacation days during each calendar year, prorated for partial years of employment, subject to any and all accrual caps imposed by the Company’s standard policies, as in effect from time to time.

The Company will pay or reimburse you for all reasonable business expenses incurred or paid by you in the performance of your duties and responsibilities for the Company in accordance with such procedures and policies as the Company may establish from time to time.

You will be entitled to participate in the Company’s medical insurance plan in effect from time to time, provided, that Company’s participation in the premium cost shall not exceed $850 per month (employee only), $1,050 per month (employee + spouse/child(ren)), or $1,350 (employee + family) per month, with any excess cost to be paid by you. In lieu of offering you such participation, subject to applicable laws, the Company may pay you an additional compensation at a monthly rate of $200 (inclusive of all applicable income and other taxes) payable monthly along with each base salary payment.
Your employment with the Company shall be on an at-will basis. Either the Company or you may terminate your employment with the Company, at any time and for any reason, upon 60 days prior written notice. The Company may, at its sole discretion, in lieu of continuing your employment during such notice period, terminate your employment effective any time during such notice period and pay you as severance payment a lump sum amount equal to the base salary that you would have been entitled to from the effective date of such termination through the end of the notice period.

In addition, the Company may terminate your employment for Cause without any prior notice. The term “Cause” as used herein shall mean any one or more of the following: (a) your conviction for any felony involving moral turpitude or affecting the Company or any affiliated company; (b) your embezzlement of funds of the Company or any affiliated company; (c) any breach of your fiduciary duties or duties of care towards the Company or any affiliated company (including without limitation any disclosure of confidential information of the Company or any affiliated company or any breach of a non-competition undertaking); (d) any conduct in bad faith reasonably determined by the board of directors of the Company to be materially detrimental to the Company or, with respect to any affiliated company, reasonably determined by the board of directors of such affiliated company to be materially detrimental to either the Company or such affiliated company; or (e) any breach of your undertakings under your nondisclosure, developments assignment and non-compete covenants with the Company.

The employment offered to you hereby is conditioned on your returning a copy of this offer letter executed by you at the space provided below, along with an executed copy of the form attached as Exhibit A hereto containing your nondisclosure, developments assignment and non-compete covenants, no later than June 1, 2017.

[signature page follows]
I welcome the opportunity to work with you and I look forward to a mutually beneficial relationship.

Sincerely

/s/ Daniel Schreiber

Daniel Schreiber
CEO

I hereby accept employment with Lemonade, Inc. under the terms of the foregoing letter.

/s/ Tim Bixby
Timothy E. Bixby

Date: May 30, 2017
Dear Jorge

I am thrilled to offer to you an employment with Lemonade, Inc. (the “Company”), a Delaware corporation, as Chief Business Development Officer commencing October 1, 2018, or such later date as shall be agreed upon between us following your acceptance of this offer. Your duties will include overseeing our partnerships and corporate development activities on a worldwide basis, and contributing more broadly as a member of the Company’s executive team.

Additionally, you will have such duties and responsibilities as may be determined between us from time to time. At all times during your tenure, you will be reporting directly to me. As a member of the executive team, you will be invited to attend sessions of our board, other than sessions the board holds without executives present.

Your initial base annual salary will be $300,000 inclusive of all applicable income, social security and other taxes and charges that are required by law to be withheld by the Company, payable in accordance with the Company’s normal payroll practice for its similarly situated employees from time to time in effect. In addition, you will be entitled to the following additional compensation:

I will recommend to the board, at its first meeting following your start date, to issue 350,000 options, subject to the in-effect 409a strike price and our standard vesting schedule (one year cliff, followed by quarterly vesting). However, we will add the following special provisions: (i) if the Company terminates your employment, for reasons other than for cause, during your first two years of employment, and if at such time the company hasn’t had in place for at least six months a nationwide license (i.e., insurance department clearances in all 50 states), then you shall be entitled to accelerated vesting to bring your total vested options to 175,000; (ii) your option agreement will include the acceleration right included in Section 9.2 of the Company’s share option plan (the “Plan”); and (iii) your option agreement will include a provision that extends the post-employment period during which you can exercise vested options until the date which is six months following the time you are able to sell the shares to be issued upon exercise of your vested options on an established stock exchange or in a national market system, but in no event beyond the date when the 10-year term of your options expires.

Additionally, I will ask the board to issue you an additional 50k options at the first board meeting after your first anniversary with the company, and at each of the successive two anniversaries. Such options will be subject to the standard 4-year vesting starting on the date they’re issued, will include the special terms noted above, and will be priced per the then in effect 409a.
I recognize that you will be accepting reduced cash compensation to join the Company and, therefore, that the option grants are a key inducement. This it to assure you that the compensation committee of the board that administers the Plan has recommended to the board that it approve the initial grant and that the board is expected to do so no more than one month following your start date. This also confirms that, in connection with such initial grant, there is not expected to be any change in the 409a pricing from the pricing currently in effect.

You will be entitled to 20 days of paid vacation days during each calendar year, prorated for partial years of employment, subject to any and all accrual caps imposed by the Company’s standard policies, as in effect from time to time.

The Company will pay or reimburse you for all pre-approved reasonable business expenses incurred or paid by you in the performance of your duties and responsibilities for the Company in accordance with such procedures and policies as the Company may establish from time to time; provided, however, that regardless whether its standard policy differs, you will be entitled to business class travel on international flights.

You will be entitled to participate in the Company’s medical insurance plan in effect from time to time; provided, that the Company’s participation in the premium cost shall not exceed $900 per month (employee only), $1,200 per month (employee + spouse/child(ren)), or $1,575 (employee + family) per month, with any excess cost to be paid by you. In lieu of offering you such participation, subject to applicable laws, the Company may pay you an additional compensation at a monthly rate of $200 (inclusive of all applicable income and other taxes) payable monthly along with each base salary payment.

Your employment with the Company shall be an at-will employment. Either the Company or you may terminate your employment with the Company, at any time and for any reason, upon 14 days prior written notice. The Company may, at its sole discretion, in lieu of continuing your employment during such notice period, terminate your employment effective any time during such notice period and pay you as severance payment a lump sum amount equal to the base salary that would have been entitled to from the effective date of such termination through the end of the notice period. Notwithstanding the foregoing, during the first two years of your employment, if the Company terminates your employment for reasons other than Cause, then the aforesaid 14-day period shall be a 90-day period.

In addition, the Company may terminate your employment for Cause without any prior notice. The term “Cause” as used herein shall mean any one or more of the following: (a) your conviction for any felony involving moral turpitude or affecting the Company or any affiliated company; (b) your embezzlement of funds of the Company or any affiliated company; (c) any breach of your fiduciary duties or duties of care towards the Company or any affiliated company (including without limitation any disclosure of confidential information of the Company or any affiliated company or any breach of a non-competition undertaking); or (d) any conduct in bad faith reasonably determined by the board of directors of the Company to be materially detrimental to the Company or, with respect to any affiliated company, reasonably determined by the board of directors of such affiliated company to be materially detrimental to either the Company or such affiliated company.
The employment offered to you hereby is conditioned on your returning a copy of this offer letter executed by you at the space provided below, along with an executed copy of the form attached as Exhibit A hereto containing your nondisclosure, developments assignment and non-compete covenants, no later than September 15 2018.

I welcome the opportunity to work with you and I look forward to a mutually beneficial relationship.

Sincerely

/s/ Daniel Schreiber
Daniel Shreiber
CEO

I hereby accept employment with Lemonade, Inc. under the terms of the foregoing letter.

/s/ Jorge Espinel

Jorge Espinel,
August 2018
This plan, as amended from time to time, shall be known as the Amended and Restated Lemonade, Inc. 2015 Incentive Share Option Plan (the “ISOP”).

1. PURPOSE OF THE ISOP

The ISOP is intended to provide an incentive to retain, in the employ of the Company (as defined below) and its Affiliates (as defined below), persons of training, experience, and ability, to attract new employees, directors, consultants, and other service providers, to encourage the sense of proprietorship of such persons, and to stimulate the active interest of such persons in the development and financial success of the Company by providing them with opportunities to purchase shares in the Company, pursuant to this ISOP.

2. DEFINITIONS

For purposes of the ISOP and related documents, including the Option Agreement (as defined below), the following definitions shall apply:

2.1. “Affiliate” for purposes of US Options and any related definition, means a Subsidiary or Parent; and for purposes of Israeli Options and any related definitions means any “employing company” within the meaning of Section 102(a) of the Ordinance.

2.1.1. “Parent” means a “parent corporation” whether now or hereafter existing, as defined in Section 424(e) of the Code.

2.1.2. “Subsidiary” means a “subsidiary corporation” whether now or hereafter existing, as defined in Section 424(f) of the Code.

2.2. “Board” means the Board of Directors of the Company.

2.3. “Cause” means, (i) conviction of any felony involving moral turpitude or affecting the Company and/or its Affiliates; (ii) any refusal to carry out a reasonable directive of the chief executive officer, the Board or the Optionee’s direct supervisor, which involves the business of the Company and/or its Affiliates and was capable of being lawfully performed; (iii) embezzlement of funds of the Company and/or its Affiliates; (iv) any breach of the Optionee’s fiduciary duties or duties of care owed to the Company and/or its Affiliates; including without limitation disclosure of confidential information of the Company and/or of its Affiliates; (v) dismissal under the circumstances defined in Section 16 and/or Section 17 of the Israeli Severance Pay Law, 1963; and (vi) any conduct (other than conduct in good faith) reasonably determined by the Board to be materially detrimental to the Company and/or to its Affiliates.

2.4. “Certificate” means the Certificate of Incorporation of the Company, as may be amended from time to time.

2.5. “Chairman” means the chairman of the Committee.


2.7. “Committee” means a compensation committee or any other similar committee as may be appointed by the Board in accordance with applicable law.
2.8. “Company” means Lemonade, Inc., a company incorporated under the laws of the State of Delaware together with its Subsidiary Lemonade Ltd., a company incorporated under the laws of the State of Israel.

2.9. “Controlling Shareholder” shall have the meaning ascribed to such term in Section 32(9) of the Ordinance.

2.10. “Date of Grant” means, the date of grant of an Option, as determined by the Board and set forth in the Optionee’s Option Agreement.

2.11. “Employee” means an Israeli Employee or a US Employee, as applicable, as well as any employees of the Company and/or any of its Affiliates worldwide who are domiciled in other jurisdictions and therefore subject to different tax regimes and further subject to any applicable sub-plans to this ISOP as may be adopted by the Board from time to time.

2.11.1. “Israeli Employee” means a person who is considered an Israeli resident for Israeli income tax purposes and who is employed by the Company or its Affiliates, including an individual who is serving as a director or an office holder of the Company or its Affiliates, but excluding for purposes of any 102 Option, any Controlling Shareholder.

2.11.2. “US Employee” means any person, including an individual who is serving as a director or an office holder, employed by the Company or any Affiliate, who is a United States tax payer. A US Employee shall not cease to be a US Employee in the case of (i) any leave of absence approved by the Company or any Affiliate or (ii) transfers between locations of the Company or between the Company, its Affiliates or any successor. For purposes of Incentive Stock Options, no such leave may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed and a period of leave exceeds three (3) months, then on the 1st day after the end of such three (3) month period, any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option. Neither service as a director nor payment of a director’s fee by the Company shall be sufficient to constitute “employment” by the Company.

2.12. “Expiration Date” means the date upon which an Option shall expire, as set forth in Section 10.2 of the ISOP.

2.13. “Fair Market Value” means as of any date, the value of a Share determined as follows:

(i) If the Shares are listed on any established stock exchange or a national market system, including without limitation the Tel Aviv Stock Exchange, NASDAQ National Market system, or the NASDAQ SmallCap Market of the NASDAQ Stock Market, the Fair Market Value shall be the closing sales price for such Shares (or the closing bid, if no sales were reported), as quoted on such exchange or system for the last market trading day prior to time of determination, as reported in the Wall Street Journal, or such other source as the Board deems reliable. Without derogating from the above, solely for the purpose of determining the tax liability pursuant to Section 102(b)(3) of the Ordinance, if at the Date of Grant the Company’s shares are listed on any established stock
exchange or a national market system or if the Company’s shares will be registered for trading within ninety (90) days following the Date of Grant, the Fair Market Value of a Share at the Date of Grant shall be determined in accordance with the average value of the Company’s shares on the thirty (30) trading days preceding the Date of Grant or on the thirty (30) trading days following the date of registration for trading, as the case may be;

(ii) If the Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value shall be the mean between the high bid and low asked prices for the Shares on the last market trading day prior to the day of determination, or;

(iii) In the absence of an established market for the Shares, the Fair Market Value thereof shall be determined in good faith by the Board.

2.14. “IPO” means the initial public offering of the Company’s shares.

2.15. “ISOP” means this Amended and Restated Lemonade, Inc. 2015 Incentive Share Option Plan.


2.17. “Non-Employee” means a consultant, advisor, service provider, Controlling Shareholder (for purposes of 102 Options) or any other person who is not an Employee.

2.18. “Option” means an option to purchase one or more Shares of the Company pursuant to the ISOP.

2.18.1. “Israeli Options” means 102 Options and 3(i) Options.

2.18.1.1. “102 Option” means any Option granted to Israeli Employees pursuant to Section 102 of the Ordinance.

2.18.1.2. “Approved 102 Option” means an Option granted pursuant to Section 102(b) of the Ordinance and held in trust by a Trustee for the benefit of the Optionee.

2.18.1.3. “Unapproved 102 Option” means an Option granted pursuant to Section 102(c) of the Ordinance and not held in trust by a Trustee.

2.18.1.4. “3(i) Option” means an Option granted pursuant to Section 3(i) of the Ordinance.

2.18.1.5. “Capital Gain Option (CGO)” as defined in Section 5.4 below.

2.18.1.6. “Ordinary Income Option (OIO)” as defined in Section 5.5 below.

2.18.2. “US Options” means Incentive Stock Options and Nonstatutory Stock Options.

2.18.2.1. “Incentive Stock Option” shall have the meaning given to such term under Section 422 of the Code.
2.18.2. “Nonstatutory Stock Options” means options to U.S. residents which would not qualify as Incentive Stock Options.

2.19. “Optionee” means a person who receives or holds an Option under the ISOP.

2.20. “Option Agreement” means the share option agreement between the Company and an Optionee that sets out the terms and conditions of an Option grant.


2.22. “Purchase Price” means the price for each Share subject to an Option.

2.23. “Section 102” means section 102 of the Ordinance, as amended.

2.24. “Share” means one share of Common Stock of the Company, $0.00001 to be par value each.

2.25. “Successor Company” means any entity the Company is merged to or is acquired by, in which the Company is not the surviving entity.

2.26. “Transaction” means: (A) (1) any consolidation, reorganization or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which Options would be converted into cash, securities or other property, other than a merger of the Company in which the holders of Ordinary Shares immediately prior to the merger have the same proportionate ownership of Ordinary Shares of the surviving corporation immediately after the merger; or (2) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets or shares of the Company; (B) any person or group (within the meaning of Section 13(d)(3) of the U.S. Securities Exchange Act of 1934) other than the Company making a tender offer or exchange offer to acquire any Ordinary Shares (or securities convertible into Ordinary Shares) for cash, securities or any other consideration, provided that: (1) at least a portion of such securities sought pursuant to the offer in question is acquired; and (2) after consummation of such offer, the person in question is the “beneficial owner” (as such term is defined in Rule 13d-3 under the U.S. Securities Exchange Act of 1934), directly or indirectly, of 50% or more of the outstanding Ordinary Shares (calculated as provided in paragraph (d) of such Rule 13d-3 in the case of rights to acquire Ordinary Shares); in each case unless the Board or the Committee decides that such transaction shall not constitute a Transaction.

2.27. “Trustee” means any person appointed by the Company to serve as a trustee and approved by the ITA, all in accordance with the provisions of Section 102(a) of the Ordinance, as well as a custodian performing similar functions as may be required under any applicable tax regime or jurisdiction.

2.28. “Vested Option” means any Option, which has already been vested according to the Vesting Dates.

2.29. “Vesting Dates” means, as determined by the Board or the Committee, the date as of which the Optionee shall be entitled to exercise the Options or part of the Options, as set forth in Section 11 of the ISOP.

5
2.30. “10% Shareholder” means an Optionee who at the time of grant owns, or is considered as owning within the meaning of Section 424(d) of the Code, shares possessing more than 10% of the total combined voting power of all classes of shares of the Company (or any Parent or Subsidiary of the Company).

3. ADMINISTRATION OF THE ISOP

3.1. The Board shall have the power to administer the ISOP either directly or upon the recommendation of the Committee, all as provided by applicable law and in the Certificate. Notwithstanding the above, the Board shall automatically have residual authority if no Committee shall be constituted or if such Committee shall cease to operate for any reason.

3.2. The Committee shall have the power to recommend to the Board and the Board shall have the full power and authority to: (i) designate participants; (ii) determine the terms and provisions of the respective Option Agreements, including, but not limited to, the number of Options to be granted to each Optionee, the number of Shares to be covered by each Option, provisions concerning the time and the extent to which the Options may be exercised and the nature and duration of restrictions as to the transferability or restrictions constituting substantial risk of forfeiture and to cancel or suspend awards, as necessary; (iii) determine the Fair Market Value of the Shares covered by each Option in accordance with the principles set forth in section 2.13 of the ISOP; (iv) make an election as to the type of Approved 102 Option; (v) designate the type of Options; (vi) alter any restrictions and conditions of any Options or Shares subject to any Options; (vii) interpret the provisions and supervise the administration of the ISOP; (viii) accelerate the right of an Optionee to exercise in whole or in part, any previously granted Option; (ix) determine the Purchase Price of the Option in accordance with the terms of the ISOP; (x) prescribe, amend and rescind rules and regulations relating to the ISOP; and (xi) make all other determinations deemed necessary or advisable for the administration of the ISOP, including make any requisite adjustments in the ISOP and determine the relevant terms in any Option Agreement in order to comply with the requirements of any relevant tax regimes and make any requisite adjustments in the ISOP and determine the relevant terms with respect to any applicable sub-plans to this ISOP as may be adopted by the Board.

3.3. Notwithstanding the above, the Committee shall not be entitled to grant Options to the Optionees.

3.4. The Board shall have the authority to grant, at its discretion, to the holder of an outstanding Option, in exchange for the surrender and cancellation of such Option, a new Option having a purchase price equal to, lower than or higher than the Purchase Price of the original Option so surrendered and canceled and containing such other terms and conditions as the Board may prescribe in accordance with the provisions of the ISOP.

3.5. All decisions and selections made by the Board or the Committee pursuant to the provisions of the ISOP shall be made in accordance with the Certificate, the Company’s By-Laws and applicable law.

3.6. The interpretation and construction by the Committee of any provision of the ISOP or of any Option Agreement thereunder shall be final and conclusive unless otherwise determined by the Board.
3.7. Subject to the Company’s Certificate, applicable law and to all approvals legally required, including, each member of the Board or the Committee shall be indemnified and held harmless by the Company against any cost or expense (including counsel fees) reasonably incurred by him, or any liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the ISOP unless arising out of such member’s own fraud or bad faith, to the extent permitted by applicable law. Such indemnification shall be in addition to any rights of indemnification the member may have as a director or otherwise under the Certificate, any agreement, any vote of shareholders or disinterested directors, insurance policy or otherwise, subject however to any limitations under any applicable law.

4. **DESIGNATION OF PARTICIPANTS AND OTHER MATTERS**

4.1. The persons eligible for participation in the ISOP as Optionees shall include any Employees and/or Non-Employees of the Company or of any Affiliate.

4.2. The ISOP is intended to enable the Company to grant options and issue shares under various and different tax regimes, including, without limitation: (i) pursuant and subject to Section 102 or any provision which may amend or replace it and any regulations, rules, orders or procedures promulgated thereunder and to designate them as either grants made through a trustee or not through a trustee; (ii) pursuant and subject to Section 3(i) of the Ordinance; (iii) as Incentive Stock Options; (iv) Nonstatutory Stock Options; (v) to Optionees in jurisdictions other than Israel and the United States; and (vi) as restricted shares. Accordingly, the Board may consider and resolve (subject to the Certificate and applicable law) on introducing amendments to this ISOP and/or to adopt sub-plans thereto in order to accommodate any of the foregoing or any other types of options or stock based incentives under any applicable tax regime or jurisdiction.

4.3. Notwithstanding anything provided herein, the Company does not warrant that the ISOP will be recognized by the income tax authorities in any jurisdiction or that future changes will not be made to the provisions of applicable laws, or rules or regulations which are promulgated from time to time thereunder, or that any exemption or benefit currently available, whether pursuant to the Ordinance or the Code or otherwise, will not be abolished.

4.4. Incentive Stock Options may be granted only to US Employees. 102 Options may be granted only to Israeli Employees.

4.5. In the event that the Options are designated as Incentive Stock Options, then notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options shall be treated as Nonstatutory Stock Options. For the purposes of this Section 4.5, Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

4.6. The grant of an Option hereunder shall neither entitle the Optionee to participate nor disqualify the Optionee from participating in, any other grant of Options pursuant to the ISOP or any other option or share plan of the Company or any of its Affiliates.
4.7. Anything in the ISOP to the contrary notwithstanding, all grants of Options to directors and office holders shall be authorized and implemented in accordance with the provisions of all applicable law.

5. **DESIGNATION OF OPTIONS PURSUANT TO SECTION 102**

5.1. The Company may designate Options granted to Employees pursuant to Section 102 as Unapproved 102 Options or Approved 102 Options.

5.2. The grant of Approved 102 Options shall be made under this ISOP and shall be conditioned upon the approval of this ISOP by the ITA.

5.3. Approved 102 Option may either be classified as Capital Gain Option or Ordinary Income Option.

5.4. Approved 102 Option elected and designated by the Company to qualify under the capital gain tax treatment in accordance with the provisions of Section 102(b)(2) of the Ordinance shall be referred to herein as “CGO”.

5.5. Approved 102 Option elected and designated by the Company to qualify under the ordinary income tax treatment in accordance with the provisions of Section 102(b)(1) of the Ordinance shall be referred to herein as “OIO”.

5.6. The Company’s election of the type of Approved 102 Options as CGO or OIO granted to Employees (the “Election”), shall be appropriately filed with the ITA before the Date of Grant of an Approved 102 Option. Such Election shall become effective beginning the first Date of Grant of an Approved 102 Option under this ISOP and shall remain in effect at least until the end of the year following the year during which the Company first granted Approved 102 Options. The Election shall obligate the Company to grant only the type of Approved 102 Option it has elected, and shall apply to all Optionees who were granted Approved 102 Options during the period indicated herein, all in accordance with the provisions of Section 102(g) of the Ordinance. For the avoidance of doubt, such Election shall not prevent the Company from granting Unapproved 102 Options simultaneously.

5.7. All Approved 102 Options must be held in trust by a Trustee, as described in Section 6 below.

5.8. For the avoidance of doubt, the designation of Unapproved 102 Options and Approved 102 Options shall be subject to the terms and conditions set forth in Section 102 of the Ordinance and the regulations promulgated thereunder.

5.9. With regards to Approved 102 Options, the provisions of the ISOP and/or the Option Agreement shall be subject to the provisions of Section 102 and the Tax Assessing Officer’s (within the ITA) permit, and the said provisions and permit shall be deemed an integral part of the ISOP and of the Option Agreement. Any provision of Section 102 and/or the said permit which is necessary in order to receive and/or to keep any tax benefit pursuant to Section 102, which is not expressly specified in the ISOP or the Option Agreement, shall be considered binding upon the Company and the Optionees.
6. **TRUSTEE**

6.1. **Appointment of Trustee.** The Board shall appoint (and may, from time to time, replace) a Trustee for the purposes of the ISOP, in accordance with the requirements of applicable law.

6.2. **Holding Period.** Approved 102 Options which shall be granted under the ISOP and/or any Shares allocated or issued upon exercise of such Approved 102 Options and/or other shares received subsequently following any realization of rights, including without limitation bonus shares, shall be allocated or issued to the Trustee and held for the benefit of the Optionees for such period of time as required by Section 102 or any regulations, rules or orders or procedures promulgated thereunder (the **“Holding Period”**). In the case the requirements for Approved 102 Options are not met, then the Approved 102 Options may be treated as Unapproved 102 Options, all in accordance with the provisions of Section 102 and regulations promulgated thereunder.

6.3. **Optionee’s Tax Liabilities.** Notwithstanding anything to the contrary, the Trustee shall not release any Shares allocated or issued upon exercise of Approved 102 Options prior to the full payment of the Optionee’s tax liabilities arising from Approved 102 Options which were granted to him and/or any Shares allocated or issued upon exercise of such Options.

6.4. **Holding Limitations.** With respect to any Approved 102 Option, subject to the provisions of Section 102 and any rules or regulation or orders or procedures promulgated thereunder, an Optionee shall not sell or release from trust any Share received upon the exercise of an Approved 102 Option and/or any share received subsequently following any realization of rights, including without limitation, bonus shares, until the lapse of the Holding Period required under Section 102 of the Ordinance. Notwithstanding the above, if any such sale or release occurs during the Holding Period, the sanctions under Section 102 of the Ordinance and under any rules or regulation or orders or procedures promulgated thereunder shall apply to and shall be borne by such Optionee.

6.5. **Trustee Release.** Upon receipt of Approved 102 Option, the Optionee will sign an undertaking to release the Trustee from any liability in respect of any action or decision duly taken and bona fide executed in relation with the ISOP, or any Approved 102 Option or Share granted to him thereunder.

7. **SHARES RESERVED FOR THE ISOP; RESTRICTION THEREON**

7.1. The Company may reserve shares of Common Stock for the purposes of the ISOP, subject to adjustment as set forth in Section 9 below, and as may be increased from time to time in accordance with the terms of this ISOP. 5,970,303 Shares shall be reserved for issuance under the ISOP, all of which may be issued pursuant to Incentive Stock Options. Any Shares which remain unissued and which are not subject to the outstanding Options at the termination of the ISOP shall cease to be reserved for the purpose of the ISOP, but until termination of the ISOP the Company shall at all times reserve sufficient number of Shares to meet the requirements of the ISOP. Should any Option for any reason expire or be cancelled prior to its exercise or relinquishment in full, the Shares subject to such Option may again be subjected to an Option under the ISOP or under the Company’s other share option plans.

7.2. Each Option granted pursuant to the ISOP, shall be evidenced by a written Option Agreement between the Company and the Optionee, in such form as the Board or the
Committee shall from time to time approve. Each Option Agreement shall state, among other matters, the number of Shares to which the Option relates, the type of Option granted thereunder (whether a CGO, OIO, Unapproved 102 Option, 3(i) Option, Incentive Stock Option or Nonstatutory Stock Option), the Vesting Dates, the Purchase Price per share, the Expiration Date and such other terms and conditions as the Committee or the Board in its discretion may prescribe, provided that they are consistent with this ISOP and subject to the applicable law.

7.3. Until the consummation of an IPO, such Shares shall be voted by an irrevocable proxy (the “Proxy”) pursuant to the directions of the Board, such Proxy to be assigned to the person or persons designated by the Board. Such person or persons designated by the Board shall be indemnified and held harmless by the Company against any cost or expense (including counsel fees) reasonably incurred by him/her, or any liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the voting of such Proxy unless arising out of such member’s own fraud or bad faith, to the extent permitted by applicable law. Such indemnification shall be in addition to any rights of indemnification the person(s) may have as a director or otherwise under the Company’s Certificate, any agreement, any vote of shareholders or disinterested directors, insurance policy or otherwise. Without derogating from the above, with respect to Approved 102 Options, such shares shall be voted in accordance with the provisions of Section 102 and any rules, regulations or orders promulgated thereunder.

8. PURCHASE PRICE

8.1. The Purchase Price of each Share subject to an Option shall be determined by the Committee in its sole and absolute discretion in accordance with applicable law, subject to any guidelines as may be determined by the Board from time to time. However, in the case of a US Option, the Purchase Price shall not be less than 100% of the Fair Market Value of the underlying Shares on the Date of Grant or such other amount as may be required pursuant to the Code. Each Option Agreement will contain, inter alia, the Purchase Price determined for each Optionee.

8.2. No Incentive Stock Option shall be granted to an Optionee who is a 10% Shareholder, unless at such time the Purchase Price is at least 110% of the Fair Market Value of the underlying Shares and the Incentive Stock Option by its terms is not exercisable after the expiration of five (5) years from the Date of Grant.

8.3. The Purchase Price shall be payable upon the exercise of the Option in a form satisfactory to the Board or Committee, including without limitation, by cash or check. The Committee shall have the authority to postpone the date of payment on such terms as it may determine.

8.4. The Purchase Price shall be denominated in the currency of the primary economic environment of, either the Company, any of its Affiliates, or the Optionee (that is the functional currency of the Company or the currency in which the Optionee is paid) as determined by the Company.

9. ADJUSTMENTS

Upon the occurrence of any of the following described events, Optionee’s rights to purchase Shares under the ISOP shall be adjusted as hereafter provided:

9.1. Transaction Events. In the event of a Transaction, the Committee, as constituted before such Transaction, may, in its sole discretion (except as may be otherwise provided in the Option Agreement): (i) cancel any outstanding unexercised Options (whether or not vested) that have a Purchase Price that is greater than the Transaction Price (defined below); or (ii) cancel any outstanding unexercised Options (whether or not vested) that have a Purchase Price that is less than or equal to the Transaction Price in exchange for a cash payment in an amount equal to (A) the difference between the Transaction Price and the Purchase Price, multiplied by (B) the total number of Shares underlying such Options that are vested and exercisable at the time of the Transaction. The Committee may, in its discretion, include such further provisions and limitations in any Option Agreement as it may deem desirable. The “Transaction Price” means the lower of (I) the Fair Market Value of a Share as of the date of the Transaction, or (II) the price paid per Share as part of the transaction which constitutes the Transaction. Notwithstanding the foregoing, the Committee or the Board shall have full power and authority to determine that the Options shall not be cancelled but shall be assumed or substituted for an appropriate number of shares of each class of shares or other securities of the Successor Company (or a parent or subsidiary of the Successor Company) as were distributed to the Company or the shareholders of the Company in connection and with respect to the Transaction. In the case of such assumption and/or substitution of Options, appropriate adjustments shall be made to the Purchase Price so as to reflect such action and all other terms and conditions of the Option Agreements shall remain unchanged, including but not limited to the vesting schedule, all subject to the determination of the Committee or the Board, which determination shall be in their sole discretion and final. Notwithstanding anything else in this ISOP to the contrary, any assumption or substitution of US Options shall be made in a manner that complies with Code Section 424(a) (whether or not the Option is an Incentive Stock Option).

9.2. Acceleration. Notwithstanding the above and subject to any applicable law, the Board shall have full power and authority to determine (but that shall not be obligated to determine) that in certain Option Agreements:

9.2.1. There shall be a clause instructing that, in any Transaction or the occurrence of any other event determined by the Board, the Vesting Dates shall be accelerated, or partially accelerated so that any unvested Option or any portion thereof shall be immediately vested as of the date which is ten (10) days prior to the effective date of the Transaction (and contingent upon the occurrence of the Transaction) or prior to the effective date of the event determined by the Board of Directors.

9.2.2. There shall be a clause instructing that, if the Optionee’s employment with the Successor Company is terminated by the successor company without Cause within certain period, as determined in the Option Agreement, which shall not exceed two (2) years of the closing of such Transaction, the Vesting Dates shall be accelerated so that certain unvested portion of the substituted Option shall be immediately vested in full or in part as of the date of such termination without Cause.

9.3. For the purposes of section 9.1 above, an Option shall be considered assumed or substituted if, following the Transaction, the Option confers the right to purchase or receive, for each Share underlying an Option immediately prior to the Transaction, the consideration (whether shares, options, cash, or other securities or property) received in the Transaction by the Company or by the holders of shares held on the effective date of the Transaction.
(and if such holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the Transaction is not solely ordinary shares (or their equivalent) of the Successor Company or its parent or subsidiary, the Committee may, with the consent of the Successor Company, provide for the consideration to be received upon the exercise of the Option, to be solely ordinary shares (or their equivalent) of the Successor Company or its parent or subsidiary equal in Fair Market Value to the per Share consideration received by holders of a majority of the outstanding shares in the Transaction; and provided further that the Committee may determine, in its discretion, that in lieu of such assumption or substitution of Options for options of the Successor Company or its parent or subsidiary, such Options will be substituted for any other type of asset or property including cash which is fair under the circumstances.

9.4. **Liquidation or Dissolution.** If the Company is voluntarily liquidated or dissolved while unexercised Options remain outstanding under the ISOP, the Company shall notify all unexercised Option holders of such liquidation, and the Option holders shall then have ten (10) days to exercise any unexercised Vested Option held by them at that time, in accordance with the exercise procedure set forth herein. Upon the expiration of such ten-days period, all remaining outstanding Options will terminate immediately.

9.5. **Changes in Capitalization.** If the outstanding shares of the Company shall at any time be changed or exchanged by declaration of a share dividend (bonus shares), share split, combination or exchange of shares, recapitalization, or any other like event by or of the Company (other than a Transaction), and as often as the same shall occur, then the number, class and kind of the Shares subject to the ISOP or subject to any Options therefore granted, and the Purchase Prices, shall be appropriately and equitably adjusted so as to maintain the proportionate number of Shares without changing the aggregate Purchase Price, provided, however, that no adjustment shall be made by reason of the distribution of subscription rights (rights offering) on outstanding shares. Upon happening of any of the foregoing, the class and aggregate number of Shares issuable pursuant to the ISOP (as set forth in Section 7 hereof), in respect of which Options have not yet been exercised, shall be appropriately adjusted, all as will be determined by the Board whose determination shall be final.

9.6. Anything herein to the contrary notwithstanding, if prior to the completion of the IPO all or substantially all of the shares of the Company are to be sold, or in case of a Transaction, all or substantially all of the shares of the Company are to be exchanged for securities of another Company, then each Optionee shall be obliged to sell or exchange, as the case may be, all of the Shares such Optionee purchased under the ISOP, in accordance with the instructions issued by the Board in connection with the Transaction, whose determination shall be final. Without derogating from the generality of the foregoing, and in addition thereto, each Optionee shall be obligated to sell and/or exchange all of the Shares such Optionee purchased under the ISOP, in accordance with any “bring along” (i.e. a provision according to which all shareholders of the Company are required to sell their shares/options in the event that the holders of a minimum percentage of the Company’s share capital has determined to sell or exchange such minimum percentage to a third party) or any similar provisions, all as specified in the Certificate.

9.7. The Optionee acknowledges that in the event that the Company’s shares shall be registered for trading in any public market, Optionee’s rights to sell the Shares may be subject to
certain limitations (including a lock-up period), as will be requested by the Company or its underwriters, and the Optionee unconditionally agrees and accepts any such limitations.

10. TERM AND EXERCISE OF OPTIONS

10.1. Options may be exercised by the Optionee by giving written notice to the Company and/or to any third party designated by the Company (the “Representative”), in such form and method as may be determined by the Company and when applicable, by the Trustee in accordance with the requirements of Section 102, which exercise shall be effective upon receipt of such notice by the Company and/or the Representative and the payment of the Purchase Price at the Company’s or the Representative’s principal office and compliance with any tax obligations (including paying or making arrangements to satisfy any withholding or other tax obligations) as further specified in section 20.1 below, and/or in the Option Agreement. The notice shall specify the number of Shares with respect to which the Option is being exercised.

10.2. Options, to the extent not previously exercised, shall terminate forthwith upon the earlier of: (i) the date set forth in the Option Agreement; (ii) in the event of a Transaction and other events, as stated in Section 9 above, (iii) the date set forth in section 10.4 with respect to unvested Options and (iv) the expiration of any extended period in any of the events set forth in section 10.5 below, and with respect to Incentive Stock Options, also as prescribed under Section 8 above.

10.3. The Options may be exercised by the Optionee in whole at any time or in part from time to time, to the extent that the Options become vested and exercisable, prior to the Expiration Date, and provided that, subject to the provisions of section 10.5 below, the Optionee is employed by, serves as a director, or provides services to the Company or any of its Affiliates, at all times during the period beginning with the grant date of the Option and ending upon the date of exercise, and subject, to the provisions of this ISOP as they may apply to Incentive Stock Options.

10.4. Subject to the provisions of section 10.5 below, in the event of termination of Optionee’s employment, directorship or service-provider relationship, with the Company or any of its Affiliates, all Options granted to such Optionee that are unvested as of the date of such termination will immediately expire. A notice of termination of employment, directorship or services shall be deemed to constitute termination of employment or services. For the avoidance of doubt, in case of such termination of employment, directorship or services, the unvested portion of the Optionee’s Option shall not vest and shall not become exercisable.

10.5. Notwithstanding anything to the contrary hereinabove and unless otherwise determined in the Optionee’s Option Agreement, an Option may be exercised after the date of termination of Optionee’s employment or service with the Company or any Affiliates during an additional period of time beyond the date of such termination, but only with respect to the number of Vested Options at the time of such termination according to the Vesting Dates, if:

(i) termination is without Cause, in which event any Vested Option still in force and unexpired may be exercised within a period of ninety (90) days after the date of such termination; or
termination is the result of death or disability of the Optionee, in which event any Vested Option still in force and unexpired may be exercised within a period of twelve (12) months after the date of such termination. With respect to Incentive Stock Option, if such disability is not a “disability” as such term is defined in Section 22(e)(3) of the Code, such Option shall automatically cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option on the day three months and one day following such termination. In the case of an Incentive Stock Option, such Option shall automatically cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option if exercised more than 1 (one) year following the date the Optionee ceased to be a US Employee as a result of his disability.; or

(iii) prior to the date of such termination, the Committee shall authorize an extension of the terms of all or part of the Vested Options beyond the date of such termination for a period not to exceed the period during which the Options by their terms would otherwise have been exercisable, and provided further that the Vested Options may lose their status as Incentive Stock Options and/or Approved 102 Option, if such extension extends beyond the maximum extension authorized by the Ordinance or the Code, as applicable.

If termination of employment or service is for Cause, any outstanding unexercised Option (whether vested or non-vested), will immediately expire and terminate, and the Optionee shall not have any right in connection to such outstanding Options.

10.6. The Optionees shall not have any of the rights or privileges of shareholders of the Company in respect of any Shares purchasable upon the exercise of any Option, until registration of the Optionee as holder of such Shares in the Company’s register of shareholders upon exercise of the Option in accordance with the provisions of the ISOP (following which time, the provisions of the Certificate shall apply subject to any applicable law), but in case of Options and Shares held by the Trustee, subject to the provisions of Section 6 and 7.3 of the ISOP.

10.7. Any form of Option Agreement authorized by the ISOP may contain such other provisions as the Committee may, from time to time, deem advisable.

10.8. With respect to Unapproved 102 Options, if the Optionee ceases to be employed by the Company or any Affiliate, the Optionee shall extend to the Company and/or its Affiliate a security or guarantee for the payment of tax due at the time of sale of Shares, all in accordance with the provisions of Section 102 and the rules, regulation or orders promulgated thereunder.

11. VESTING OF OPTIONS

11.1. Subject to the provisions of the ISOP, each Option shall vest following the Vesting Dates and for the number of Shares as shall be provided in the Option Agreement. However, no Option shall be exercisable after the Expiration Date.
11.2. An Option may be subject to such other terms and conditions on the time or times when it may be exercised, as the Committee may deem appropriate. The vesting provisions of individual Options may vary.

12. SHARES SUBJECT TO RIGHT OF FIRST REFUSAL

12.1. Notwithstanding anything to the contrary in the Company’s Certificate, none of the Optionees shall have a right of first refusal in relation with any sale of shares in the Company.

12.2. Unless otherwise determined by the Committee, until such time as the Company shall complete an IPO, an Optionee shall not have the right to sell Shares issued upon the exercise of an Option within six (6) months and one day of the date of exercise of such Option or issuance of such Shares. Unless otherwise determined by the Committee, until such time as the Company shall complete an IPO, the sale of Shares issuable upon the exercise of an Option shall be subject to a right of first refusal as determined in the Company’s Certificate, as existing from time to time.

13. DIVIDENDS

With respect to all Shares (but excluding, for avoidance of any doubt, any unexercised Options) allocated or issued upon the exercise of Options purchased by the Optionee and held by the Optionee or by the Trustee, as the case may be, the Optionee shall be entitled to receive dividends in accordance with the quantity of such Shares, subject to the provisions of the Certificate and subject to any applicable taxation on distribution of dividends, and when applicable subject to the provisions of Section 102 and the rules, regulations or orders promulgated thereunder.

14. RESTRICTIONS ON ASSIGNABILITY AND SALE OF OPTIONS; MARKET STAND-OFF

14.1. No Option or any right with respect thereto, purchasable hereunder, whether fully paid or not, shall be assignable, transferable or given as collateral or any right with respect to it given to any third party whatsoever, except as specifically allowed under the ISOP, and during the lifetime of the Optionee each and all of such Optionee’s rights to purchase Shares hereunder shall be exercisable only by the Optionee. Any such action made directly or indirectly, for an immediate validation or for a future one, shall be void.

14.2. As long as Option’s and/or Shares are held by the Trustee on behalf of the Optionee, all rights of the Optionee over the Shares are personal, can not be transferred, assigned, pledged or mortgaged, other than by will or pursuant to the laws of descent and distribution.

14.3. In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the United States Securities Act of 1933, as amended or equivalent law in another jurisdiction, the Optionee shall not directly or indirectly, without the prior written consent of the Company or its underwriters, (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Shares acquired under this ISOP or any securities of the Company (whether or not such Shares acquired under this ISOP), or
(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares acquired under this ISOP, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares acquired under this ISOP or such other securities, in cash or otherwise. Such restriction (the "Market Stand-Off") shall be in effect for such period of time following the effective date of the registration statement relating to such offering, as may be requested by the Company or such underwriters, however in any event, such period shall not exceed 180 days (in the case of the Company’s first underwritten offering of its Shares) following the effective date of such registration statement or 90 days (in the case of a registration statement thereafter).

14.3.1. In the event of a subdivision of the outstanding share capital of the Company, the declaration and payment of a share dividend (distribution of bonus shares), the declaration and payment of an extraordinary dividend payable in a form other than shares, a recapitalization, a reorganization (which may include a combination or exchange of shares or a similar transaction affecting the Company’s outstanding securities without receipt of consideration), a consolidation, a share split, a spin-off or other corporate divestiture or division, a reclassification or other similar occurrence, an adjustment in conversion ratio, any new, substituted or additional securities which are by reason of such transaction distributed with respect to any Shares subject to the Market Stand-Off, or into which such Shares thereby become convertible, shall immediately be subject to the Market Stand-Off.

14.3.2. In order to enforce the Market Stand-Off, the Company may impose stop-transfer instructions with respect to the Shares acquired under this Plan until the end of the applicable stand-off period.

14.3.3. The underwriters in connection with a registration statement so filed are intended to be third party beneficiaries of this Section and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

14.4. The provisions of this Section shall apply to the Optionees and to any purchaser, assignee or transferee of any Shares.

15. EFFECTIVE DATE AND DURATION OF THE ISOP

15.1. The ISOP shall be effective as of the day it was adopted by the Board and shall terminate at the end of ten (10) years from such day of adoption.

15.2. The Company shall obtain the approval of the Company’s shareholders for the adoption of this ISOP or for any amendment to this ISOP, if shareholders’ approval is necessary or desirable to comply with any applicable law including without limitation the US securities law or the securities laws of other jurisdiction applicable to Options granted to Optionees under this ISOP, or if shareholders’ approval is required by any authority or by any governmental agencies or national securities exchanges including without limitation the US Securities and Exchange Commission or as may be required under the Company’s Certificate.
16. **AMENDMENTS OR TERMINATION**

Without derogating from any other rights granted herein to the Board, the Board may at any time, but when applicable, after consultation with the Trustee, amend, alter, suspend or terminate the ISOP. No amendment, alteration, suspension or termination of the ISOP shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Company, which agreement must be in writing and signed by the Optionee and the Company. Termination of the ISOP shall not affect the Committee’s ability to exercise the powers granted to it hereunder with respect to Options granted under the ISOP prior to the date of such termination.

17. **GOVERNMENT REGULATIONS**

The ISOP, and the granting and exercise of Options hereunder, and the obligation of the Company to sell and deliver Shares under such Options, shall be subject to all applicable laws, rules, and regulations, whether of the State of Israel or of the United States or any other State having jurisdiction over the Company and the Optionee, including the registration of the Shares under the United States Securities Act of 1933, the Companies Law, the Israeli Securities Law 1968 and the Ordinance and to such approvals by any governmental agencies or national securities exchanges as may be required. Nothing herein shall be deemed to require the Company to register the Shares under the securities laws of any jurisdiction.

18. **CONTINUANCE OF EMPLOYMENT OR HIRED SERVICES ; NO CLAIMS**

18.1. Neither the ISOP nor the Option Agreement with the Optionee shall impose any obligation on the Company or an Affiliate thereof, to continue any Optionee in its employ or service, and nothing in the ISOP or in any Option granted pursuant thereto shall confer upon any Optionee any right to continue in the employ or service of the Company or an Affiliate thereof or restrict the right of the Company or an Affiliate thereof to terminate such employment or service at any time.

18.2. No Optionee or other person shall have any claim to be granted any Options, and there is no obligation for uniformity of treatment of Optionees. The terms and conditions of Options and the Board’s determinations and interpretations with respect thereto need not be the same with respect to each Optionee (whether or not such Optionees are similarly situated).

18.3. No income or gain which shall be credited to or which purports to be credited to an Optionee as a result of this ISOP shall in any manner be taken into account in the calculation of the basis of the Optionee’s entitlements from the Company or any Affiliate or in the calculation of any social welfare right or other rights or benefits arising out of the employee/employer or any other relationship (including, without limitation, any benefits under any pension, retirement, severance, profit sharing, bonus, life insurance, vacation or other legal requirement or benefit plan of the Company or any Related Company). Except as otherwise determined by the Board, if, pursuant to any law, the Company or any Affiliate shall be obliged for the purposes of calculation of the said items to take into account income or gain actually or theoretically credited to the Optionee, the Optionee shall indemnify the Company or any Affiliate against any expense caused to it in this regard.
19. **GOVERNING LAW & JURISDICTION**

The ISOP shall be governed by and construed and enforced in accordance with the laws of the State of Israel, applicable to contracts made and to be performed therein, without giving effect to the principles of conflict of laws, subject to the provisions of the Code with respect to Incentive Stock Options and, in the event of any ambiguity or conflict, the provisions hereof shall be so construed and applied as to give effect to the intention that any Incentive Stock Option granted will qualify as such under Section 422 of the Code. The competent courts of Tel-Aviv, Israel shall have sole jurisdiction in any matters pertaining to the ISOP.

20. **TAX CONSEQUENCES**

20.1. Any tax consequences arising from the grant or exercise of any Option, from the payment for Shares covered thereby or from any other event or act (of the Company and/or its Affiliates, the Trustee or the Optionee), hereunder, shall be borne solely by the Optionee. The Company and/or its Affiliates and/or the Trustee shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including, without limitation, withholding taxes at source. Furthermore, the Optionee shall agree to indemnify the Company and/or its Affiliates and/or the Trustee and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Optionee.

20.2. The Company and/or, when applicable, the Trustee shall not be required to release any Share certificate to an Optionee until all required payments have been fully made.

21. **NON-EXCLUSIVITY OF THE ISOP; MULTIPLE AGREEMENTS**

21.1. The adoption of the ISOP by the Board shall not be construed as amending, modifying or rescinding any previously approved incentive arrangements or as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of Options otherwise than under the ISOP, and such arrangements may be either applicable generally or only in specific cases. For the avoidance of doubt, prior grant of options to Optionees of the Company under their employment agreements, and not in the framework of any previous option plan, shall not be deemed an approved incentive arrangement for the purpose of this Section 21.

21.2. The terms of each Option may differ from other Options granted under the ISOP at the same time, or at any other time. The Board may also grant more than one Option to a given Optionee during the term of the ISOP, either in addition to, or in substitution for, one or more Options previously granted to that Optionee.

*Adopted on December 14, 2017*
LEMONADE, INC.

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (the “Agreement") is entered into as of June 1, 2017 by and between Lemonade, Inc., a Delaware corporation, f/k/a Lemonade Group, Inc., (the “Company”), and Timothy E. Bixby ("Purchaser").

1. Purchase and Sale of Stock

Subject to the terms and conditions of this Agreement, on the Purchase Date (as defined below), the Company will issue and sell to Purchaser, and Purchaser agrees to purchase from the Company, Three Hundred and Fifty Thousand (350,000) shares (the “Shares”) of the Company’s common stock (the “Common Stock”), par value $0.00001 per share, in exchange for payment of $2.65 per Share (total purchase price of $927,500) in the form of a Promissory Note, receipt of which is hereby acknowledged by the Company. The term “Shares” shall include the purchased Shares and all securities received in replacement of or in connection with the Shares pursuant to any stock dividends or splits, all securities received in replacement of the Shares in any recapitalization, merger, reorganization, exchange or the like, and all new, substituted or additional securities or other properties to which Purchaser is entitled by reason of Purchaser’s ownership of the Shares.

2. Closing

The purchase and sale of the Shares shall occur at the principal office of the Company simultaneously on the date first set forth above or on such other date as the Company and Purchaser shall agree (the “Purchase Date”). On the Purchase Date, the Company will deliver to Purchaser a stock certificate representing the Shares purchased by Purchaser, against payment of the purchase price for the Shares by (a) check made payable to the Company, (b) cancellation of indebtedness of the Company to Purchaser, or (c) by a combination of the foregoing.

3. Repurchase Right

In addition to any other limitation on transfer created by applicable securities laws, Purchaser shall not assign, encumber or dispose of any interest in the Shares while the Shares are subject to the Company’s Repurchase Option (as defined below). After any Shares have been released from the Repurchase Option, Purchaser shall not assign, encumber or dispose of any interest in such Shares except in compliance with the provisions of this Agreement and applicable securities laws.

(a) Repurchase Option.

(i) In the event that Purchaser shall at any time cease to have an employment, consulting or other service relationship with the Company (or any successor or its parent company) for any reason (the date of such termination being the “Termination Date”), the Company shall have the right (the “Repurchase Option”), for a period of 90 days from such Termination Date (the “Option Period”), to repurchase any or all of the Shares that have not yet been released from the Repurchase Option pursuant to Section 3(b) (the “Unvested Shares”) at a repurchase price per Share in cash of $2.65 (the “Repurchase Price”). The Company may exercise its Repurchase Option as to any or all of the Unvested Shares at any time during the Option Period by written notice to Purchaser, provided, however, that without requirement of further action on the part of either party hereto, the Repurchase Option shall be deemed to have been automatically exercised as to all Unvested Shares at 5:00 p.m. Pacific time on the last day of the Option Period, unless the Company declines in writing to exercise its Repurchase Option in whole or in part prior to such time; provided further, that notwithstanding the above, the Repurchase Option shall not be deemed to have been automatically exercised, and shall instead be deemed to become temporarily unexercisable as of such time and date and extended by the duration of any such period, in any case.
where such automatic exercise would result in a violation of applicable law (including without limitation Section 160 of the Delaware General Corporation Law), and the Repurchase Option shall once again be deemed exercisable (or, as provided above, exercised) as soon as a violation of applicable law would not result from its exercise.

(ii) If the Company determines not to exercise the Repurchase Option in whole or in part, it shall notify Purchaser prior to the end of the Option Period, and the Repurchase Option shall thereupon terminate as to any Unvested Shares for which the Company declined to exercise the Repurchase Option. If the Repurchase Option is exercised or deemed to be exercised, then within five (5) business days after the date of such exercise or deemed exercise, the Company shall notify the Escrow Agent (as defined below) thereof and shall make payment of the aggregate Repurchase Price for the Unvested Shares being repurchased by any of the following methods: (A) delivering to Purchaser a check in the amount of the aggregate Repurchase Price; (B) canceling an amount of indebtedness of Purchaser to the Company equal to the aggregate Repurchase Price; or (C) any combination of (A) and (B) such that the combined payment and cancellation of indebtedness equals such aggregate Repurchase Price. Upon delivery of the payment of the aggregate Repurchase Price in any of the ways described above, the Company shall become the legal and beneficial owner of the Unvested Shares being repurchased and all related rights and interests therein, and the Company shall have the right to retain and transfer to its own name the number of Unvested Shares being repurchased by the Company.

(iii) If the Company neither notifies Purchaser prior to the end of the Option Period of the Company’s decision not to exercise its Repurchase Option nor delivers payment of the aggregate Repurchase Price to Purchaser within five (5) business days after the actual or deemed exercise of the Repurchase Option (or within an additional period in accordance with Section 3(a)(0), then the sole remedy of Purchaser thereafter shall be to receive the aggregate Repurchase Price from the Company in the manner set forth above for the Unvested Shares deemed repurchased, and in no case shall Purchaser have any claim of ownership as to any of such Unvested Shares. If the Repurchase Option is terminated in whole or in part by written notice from the Company to Purchaser, then upon and following such termination the only remaining right of Purchaser under this Agreement shall be the right to receive and retain the Unvested Shares as to which the Repurchase Option was terminated, and Purchaser shall have no right whatsoever to receive the Repurchase Price.

(b) Vesting; Release of Shares from Repurchase Option.

As of the date of this Agreement, all of the Shares shall initially be deemed Unvested Shares and subject to the Repurchase Option. One-fourth (1/4) of the Unvested Shares shall be released from the Repurchase Option on the first anniversary of the date of this Agreement so long as Purchaser has not voluntarily terminated his employment with the Company prior to such anniversary, and thereafter 1/12 of the remaining Unvested Shares shall be released from the Repurchase Option and shall thereupon cease to be Unvested Shares upon completion of each successive quarter of service after the first anniversary of this Agreement, until all Unvested Shares have been released from the Repurchase Option on the four (4) year anniversary of the date of this Agreement. In the event of a Change of Control in which the vesting of any equity award held by any employee, officer or director of the Company employed after the date of this Agreement, or which applies to employees generally under the terms of the document memorializing the change of control transaction, accelerates on a basis more favorable than that afforded to Purchaser hereunder, this Section 3(b) shall be deemed modified to provide Purchaser with such more favorable vesting acceleration; provided however, that, without limiting the foregoing, if a Change of Control occurs prior to the first anniversary of this Agreement, one-fourth (1/4) of the Unvested Shares shall be released from the Repurchase Option immediately prior to the Change of Control and shall thereupon cease to be Unvested Shares as of the Change of Control.

(c) Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“Change of Control” means (A) a merger, consolidation or reorganization involving the Company in which the
shares of capital stock of the Company outstanding immediately prior to such merger, consolidation or reorganization (or the shares of capital stock into which such shares are converted or for which such shares are exchanged in connection with such merger, consolidation or reorganization) do not represent immediately following such merger, consolidation or reorganization at least a majority, by voting power, of the capital stock of (1) the surviving or resulting entity or (2) if the surviving or resulting entity is a wholly owned subsidiary of another entity immediately following such merger, consolidation or reorganization, the parent entity of such surviving or resulting entity; or (B) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company or any subsidiary of the Company of all or substantially all the assets of the Company and its subsidiaries taken as a whole, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Company.

(d) Escrow. For purposes of facilitating the enforcement of the provisions of this Section 3, Purchaser agrees, immediately upon receipt of the certificate(s) for the Shares subject to the Repurchase Option, to deliver such certificate(s) together with an Assignment Separate From Certificate in the form attached to this Agreement as Exhibit B executed by Purchaser (and by Purchaser’s spouse if required for transfer), in blank, to the Secretary of the Company or the Secretary’s designee (as applicable, the “Escrow Agent”), to hold such certificate(s) and Assignment Separate From Certificate in escrow and to take all such actions and to effectuate all such transfers and/or releases as are in accordance with the terms of this Agreement. Purchaser hereby acknowledges that the Escrow Agent is so appointed as the escrow holder with the foregoing authorities as a material inducement to make this Agreement and that such appointment is coupled with an interest and is accordingly irrevocable. Purchaser agrees that the Escrow Agent shall not be liable to any party hereof (or to any other party). The Escrow Agent may rely upon any letter, notice or other document executed by any signature purported to be genuine and may resign at any time. Purchaser agrees that if the Escrow Agent resigns as escrow holder for any or no reason, the Board of Directors of the Company shall have the power to appoint a successor to serve as escrow holder pursuant to the terms of this Agreement. Certificates representing the Shares that have been released from the Repurchase Option shall be delivered to Purchaser upon request promptly after such release.

4. Right of First Refusal

Before any Shares held by Purchaser or any transferee of Purchaser (either being sometimes referred to herein as the “Holder”) may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section 4 (the “Right of First Refusal”). Notwithstanding any other provision hereof, Purchaser shall not be entitled to sell or transfer any Shares which have not been released from the Repurchase Option.

(a) Transfer Notice. In the event that Purchaser (i) proposes to sell, pledge, gift or otherwise voluntarily transfer to a third party any Shares, or any interest therein (any such event a “Voluntary Transfer”), or (ii) any Shares, or any interest therein, are to be transferred involuntarily to any third party pursuant to divorce, legal separation, foreclosure, legal judgment, bankruptcy or other legal or administrative proceeding, or any other involuntary transfer (any such event an “Involuntary Transfer”), the Company shall have the Right of First Refusal with respect to all or any portion thereof, of such Shares. In the event of a proposed Voluntary Transfer or Involuntary Transfer, Purchaser shall promptly give a written notice (the “Transfer Notice”) to the Company describing fully the proposed transfer, including the number of Shares proposed to be transferred (and the number of such Shares that are Unvested Shares), the proposed transfer price (if applicable), the name and address of the proposed transferee (the “Transferee”), and evidence satisfactory to the Company that the proposed sale or transfer will not violate any applicable federal or state securities laws. In the event of an Involuntary Transfer, the Transfer Notice shall contain an explanation of the circumstances of the transfer and copies of any related legal documents, including without limitation any judgment liens, court documents or foreclosure notices. The Company shall have the right to purchase all or any portion thereof, of the Shares on the terms of the proposal described in
the Transfer Notice (subject, however, to any change in such terms permitted under Sections 4(b) and 4(c)) by delivery of a notice of exercise of the Right of First Refusal within 30 days after the date when the Transfer Notice was received by the Company.

(b) **Transfer of Shares.** If the Company fails to exercise its entire Right of First Refusal within 30 days after the date when it received the Transfer Notice, Purchaser may, not later than 90 days following receipt of the Transfer Notice by the Company, complete a transfer of the portion of the Shares not elected to be purchased by the Company, that are subject to the Transfer Notice on the terms and conditions described in the Transfer Notice, provided that any such sale must be made in compliance with applicable federal and state securities laws and not in violation of any other contractual restrictions to which Purchaser is bound. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by Purchaser or such Transferee, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in this Section 4. If the Company exercises any portion of its Right of First Refusal, the parties shall consummate the sale of the portion of the Shares to be purchased by the Company on the terms set forth in the Transfer Notice within 60 days after the date when the Company received the Transfer Notice (or within such longer period as may have been specified in the Transfer Notice), provided, however, that in the event the Transfer Notice provided that payment for the Shares was to be made in a form other than cash or cash equivalents (an “In-Kind Transfer”), the Company shall have the option of paying for the Shares with cash or cash equivalents at a price equal to the Fair Market Value (as determined pursuant to Section 4(c)) of the consideration described in the Transfer Notice.

(c) **Transfer Price.** In the event of a Voluntary Transfer by pledge, gift or In-Kind Transfer, or any Involuntary Transfer, the price per Share shall be determined as follows. The Company shall be entitled to purchase any Unvested Shares at the Repurchase Price. The Company shall be entitled to purchase any Shares that are no longer Unvested Shares at the then effective fair market value for such Shares, (the “Fair Market Value”), as determined in good faith by the Board of Directors. In the event that Purchaser or any proposed Transferee (a “Disagreeing Party”) disagrees with such Fair Market Value determined by the Board of Directors, the Disagreeing Party shall be entitled to have the Fair Market Value determined by an independent appraiser or recognized standing mutually acceptable to the Company and the Disagreeing Party, the fees for which appraisal shall be borne solely by the Disagreeing Party.

(d) **Permitted Transfers.** This Section 4 shall not apply to (i) a transfer by beneficiary designation, will or intestate succession or (ii) a Voluntary Transfer to any members of Purchaser’s Immediate Family (as defined below) or to a trust established by Purchaser for the benefit of Purchaser or Purchaser’s Immediate Family members, provided in each case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If Purchaser transfers any Shares, either under this Section 4(d) or after the Company has failed to exercise the Right of First Refusal, then this Section 4 shall apply to the Transferee to the same extent as it applied to Purchaser. “Immediate Family” as used herein shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, domestic partner, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships.

(i) **Termination of Right of First Refusal.** The Right of First Refusal pursuant to this Section 4 shall terminate upon the earlier of (x) the first sale of Common Stock to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended (the “Securities Act”) or (y) the closing of a Change of Control.

5. **Assignment of Company Purchase Rights**

The rights of the Company to purchase any portion of the Shares under Section 3 or Section 4 of this Agreement may be assigned, in whole or in part, to any stockholder or stockholders of the Company or other persons or organizations approved by the Board of Directors.
6. **Termination of Rights as Stockholder**

If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Shares to be purchased in accordance with Section 3 or Section 4 above, then after such time the person from whom such Shares are to be purchased shall no longer have any rights as a Holder of such Shares (other than the right to receive payment of such consideration in accordance with this Agreement). Such Shares shall be deemed to have been purchased in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor has or have been delivered as required by this Agreement.

7. **Market Standoff**

In connection with the initial underwritten public offering by the Company of its equity securities, Purchaser agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the registration by the Company for its own behalf of shares of its common stock or other equity securities under the Securities Act and ending on the date specified by the Company and the managing underwriter (such period not to exceed 180 days, which period may be extended upon the request of the managing underwriter, to the extent required by any NASD, NYSE or FINRA rules, for an additional period of up to 15 days if the Company issues or proposes to issue an earnings or other public release within 15 days after the expiration of the 180-day period), (i) lend: offer: pledge: sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right or warrant to purchase; or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Stock held immediately before the effective date of the registration statement for such offering or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash, or otherwise. The foregoing provisions of this Section 7 shall apply only to the initial public offering of the Company, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall be applicable to the Holders only if all officers and directors are subject to the same restrictions. The underwriters in connection with such registration are intended third-party beneficiaries of this Section 7 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto.

8. **Purchaser Representations**

In connection with the purchase of the Shares, Purchaser represents and warrants to the Company the following:

(a) Purchaser is acquiring the Shares for investment for Purchaser’s own account only, not as a nominee or agent, and not with a view to, or for resale in connection with, any “distribution” thereof within the meaning of the Securities Act. Purchaser has no present intention of selling, granting any participation in or otherwise distributing the Shares. Purchaser does not have any contract, undertaking, agreement or arrangement with any person or entity to sell, transfer or grant participations to such person or entity or to any other person or entity, with respect to any of the Shares. Purchaser understands that the Shares have not been registered under the Securities Act or any state securities laws by reason of specific exemptions therefrom that depend upon, among other things, the bona fide nature of the investment intent and the accuracy of Purchaser’s representations as expressed herein, and that theShares must be held indefinitely, unless they are subsequently registered under the Securities Act and applicable state securities laws or Purchaser provides evidence satisfactory to the Company that an exemption from registration is available. Purchaser further acknowledges and understands that the Company is under no obligation to register the Shares.

(b) Purchaser will not sell, transfer or otherwise dispose of the Shares in violation of the Securities Act, the Securities Exchange Act of 1934, any state securities law or the rules promulgated thereunder. Purchaser agrees that Purchaser will not dispose of the Shares unless and until Purchaser has complied with all requirements.
of this Agreement applicable to the disposition of Shares and Purchaser has provided the Company with written assurances, in substance and form satisfactory to the Company, that (i) the proposed disposition does not require registration of the Purchased Shares under the Securities Act, or all appropriate action necessary for compliance with the registration requirements of the Securities Act or with any exemption from registration available under the Securities Act (including Rule 144) has been taken, and (ii) the proposed disposition will not result in the contravention of any transfer restrictions applicable to the Purchased Shares under any applicable state securities laws, rules and regulations.

(c) Purchaser has been furnished with, and has had access to, such information as Purchaser considers necessary or appropriate for deciding whether to invest in the Shares, and Purchaser has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the issuance of the Shares.

(d) Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser’s purchase or disposition of the Shares or Purchaser’s making of an election under Section 83(b) of the Code as contemplated by this Agreement. Purchaser represents that Purchaser has consulted any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company or counsel to the Company for any tax advice.

9. Restrictive Legends and Stop-Transfer Orders

(a) Legends. The certificate or certificates representing the Shares shall bear the following legends (as well as any legends required by applicable state and federal corporate and securities laws):

(i) THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAW AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHOUT EFFECTIVE REGISTRATIONS THEREUNDER OR AN OPINION OF COUNSEL, SATISFACTORY TO THE CORPORATION AND ITS COUNSEL, THAT SUCH REGISTRATIONS ARE NOT REQUIRED.

(ii) THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED OR IN ANY MANNER DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE TERMS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES), A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

(b) Stop-Transfer Notices. Purchaser agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate “stop transfer” instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred. Any attempt to transfer contrary to the provisions of Section 4 shall be void.

(d) Removal of Legend. When all of the following events have occurred, the Shares then held by Purchaser will no longer be subject to the legend referred to in Section 9(a)(ii): (i) the termination of the Right of First Refusal; (ii) the expiration or termination of the lock-up provisions of Section 7 (and of any agreement entered pursuant to Section 7); and (iii) the expiration or exercise in full of the Repurchase Option. After such time, and upon Purchaser’s request, a new certificate or certificates representing the Shares not repurchased shall be issued without the legend referred to in Section 9(a)(ii) and delivered to Purchaser.
10. **No Employment Rights**

Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a parent or subsidiary of the Company, to terminate Purchaser’s employment or consulting relationship, for any reason, with or without cause.

11. **Section 83(b) Election**

Purchaser understands that Section 83(a) of the Code taxes as ordinary income the difference between the amount paid for the Shares and the fair market value of the Shares as of the date any restrictions on the Shares lapse. In this context, “restriction” means the right of the Company to buy back the Shares pursuant to the Repurchase Option set forth in Section 3(a) of this Agreement. Purchaser understands that Purchaser may elect to be taxed at the time the Shares are purchased, rather than when and as the Repurchase Option expires, by filing an election under Section 83(b) of the Code (an “83(b) Election”) with the Internal Revenue Service within 30 days from the date of purchase. Even if the fair market value of the Shares at the time of the execution of this Agreement equals the amount paid for the Shares, the election must be made to avoid income under Section 83(a) of the Code in the future. Purchaser understands that failure to file such an election in a timely manner may result in adverse tax consequences for Purchaser. **Purchaser acknowledges and agrees that it is solely Purchaser’s responsibility to timely file an 83(b) Election and any other filing related thereto, if Purchaser chooses to do so, that the Company has no responsibility or obligation of any kind to assist with such filing, and that Purchaser will have no claim of any kind against the Company or counsel to the Company if Purchaser fails to timely file such 83(b) Election.** Purchaser acknowledges that the foregoing is only a summary of the effect of United States federal income taxation with respect to purchase of the Shares hereunder and does not purport to be complete. Purchaser further acknowledges that the Company has directed Purchaser to seek independent advice regarding the applicable provisions of the Code, the income tax laws of any municipality, state or foreign country in which Purchaser may reside, and the tax consequences of Purchaser’s death.

12. **General**

(a) **Governing Law.** This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of New York, without giving effect to principles of conflicts of law.

(b) **Entire Agreement; Enforcement of Rights.** This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) **Amendment.** Subject to applicable law, this Agreement and any of the provisions hereof may be amended, modified or supplemented, in whole or in part, only in a writing signed by the parties hereto.

(d) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded, and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(e) **Construction.** This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be
the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(f) **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by fax or 48 hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party’s address or fax number as set forth below or as subsequently modified by written notice.

(f) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(g) **Successors and Assigns.** The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by, the Company’s successors and assigns. Any successor (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company’s business and/or assets shall be deemed to assume the obligations and to be entitled to the benefits under this Agreement to the same extent as the Company would be required to perform such obligations or would be entitled to such benefits in the absence of a succession. For all purposes under this Agreement, the term “Company” shall include any successor to the Company’s business and/or assets that executes and delivers the assumption agreement described in this section or that becomes bound by the terms of this Agreement by operation of law.

(h) **Option Plan.** Purchaser agrees that the terms and conditions of the Company 2015 Incentive Share Option Plan (the “Plan”) shall, to the extent applicable, apply to the Shares; provided that, in the event the terms of this Agreement conflict with the terms of the Plan, the terms of this Agreement shall control.

(i) **No Right to Continued Employment.** Purchaser acknowledges and agrees that the vesting of Shares pursuant to this Agreement is earned only by continuing service as a service provider at will (and not through the act of being hired or purchasing Shares hereunder). Purchaser further acknowledges and agrees that this Agreement, the transactions contemplated hereunder and the vesting schedule set forth herein do not constitute an express or implied promise of continued engagement as a service provider for the vesting period, or for any period at all, and shall not interfere with the Company’s right to terminate Purchaser’s relationship with the Company at any time, with or without cause or notice.

(j) **Specific Performance.** Purchaser understands and agrees that monetary damages would not adequately compensate the Company for the breach of this Agreement by Purchaser, that this Agreement shall be specifically enforceable, and that any breach or threatened breach of this Agreement shall be the proper subject of a temporary or permanent injunction or restraining order. Further, Purchaser hereto waives any claim or defense that there is an adequate remedy at law for such breach or threatened breach.

[Signature page follows]
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

LEMONADE, INC,

By: /s/ Daniel Schreiber
Name: Daniel Schreiber
Title: Chief Executive Officer

PURCHASER

/s/ Timothy E. Bixby
Timothy E. Bixby

Address: [ ]
LEMONADE, INC.

SPOUSAL CONSENT

I, Heather J. Myers, spouse of Purchaser named in the foregoing Stock Purchase Agreement ("Agreement"), confirm that I have read and I understand such Agreement. In consideration of the Company’s granting my spouse the right to purchase the Shares as set forth in the Agreement, I hereby agree to be irrevocably bound by the Agreement, and further agree that any community property or similar interest that I may have in the Shares shall be similarly bound by the Agreement. I hereby appoint my spouse as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

Dated: 5-23-17

/s/ Heather J. Myers

Heather J. Myers
ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED and pursuant to that certain Stock Purchase Agreement between the undersigned ("Purchaser") and Lemonade, Inc., a Delaware corporation (the "Company"), dated June 1, 2017 (the "Agreement"). Purchaser hereby sells, assigns and transfers unto the Company shares of the Common Stock of the Company standing in Purchaser’s name on the Company’s books and represented by Certificate No. , and hereby irrevocably constitutes and appoints Daniel Schreiber or any other person designated by the Board to transfer such stock on the books of the Company with full power of substitution in the premises.

THIS ASSIGNMENT MAY ONLY BE USED AS AUTHORIZED BY THE AGREEMENT AND THE EXHIBITS THERETO.

Dated: 

Timothy E. Bixby
LEMONADE GROUP, INC. RECEIPT AND CONSENT

The undersigned hereby acknowledges receipt of Certificate No. for **350,000** shares of Common Stock of Lemonade, Inc. (the “Company”).

The undersigned further acknowledges that the Secretary of the Company, or his or her designee, is acting as escrow agent pursuant to the Stock Purchase Agreement that Purchaser has previously entered into with the Company. As escrow agent, the Secretary of the Company, or his or her designee, will hold the original of the aforementioned certificate issued in the undersigned’s name, and the undersigned consents to the Company delivering such certificate to such escrow agent on the undersigned’s behalf.

Dated: June 1, 2017

/s/ Timothy E. Bixby

Timothy E. Bixby
LEMONADE, INC.

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (the “Agreement”) is entered into as of March 8, 2017 by and between Lemonade, Inc., a Delaware corporation (the “Company”), and John Peters (“Purchaser”).

1. Purchase and Sale of Stock

Subject to the terms and conditions of this Agreement, on the Purchase Date (as defined below), the Company will issue and sell to Purchaser, and Purchaser agrees to purchase from the Company, 100,000 shares (the “Shares”) of the Company’s common stock (the “Common Stock”), par value $0.00001 per share, in exchange for payment of $2.65 per Share in the form of a partial-recourse promissory note (total purchase price of $265,000), receipt of which is hereby acknowledged by the Company. The term “Shares” shall include the purchased Shares and all securities received in replacement of or in connection with the Shares pursuant to any stock dividends or splits, all securities received in replacement of the Shares in any recapitalization, merger, reorganization, exchange or the like, and all new, substituted or additional securities or other properties to which Purchaser is entitled by reason of Purchaser’s ownership of the Shares.

2. Closing

The purchase and sale of the Shares shall occur at the principal office of the Company simultaneously with the execution of this Agreement or on such other date as the Company and Purchaser shall agree (the “Purchase Date”). On the Purchase Date, the Company will deliver to Purchaser a stock certificate representing the Shares purchased by Purchaser, against payment of the purchase price for the Shares by (a) check made payable to the Company, (b) cancellation of indebtedness of the Company to Purchaser, or (c) by a combination of the foregoing.

3. Repurchase Right

In addition to any other limitation on transfer created by applicable securities laws, Purchaser shall not assign, encumber or dispose of any interest in the Shares while the Shares are subject to the Company’s Repurchase Option (as defined below). After any Shares have been released from the Repurchase Option, Purchaser shall not assign, encumber or dispose of any interest in such Shares except in compliance with the provisions of this Agreement and applicable securities laws.

(a) Repurchase Option.

(i) In the event that Purchaser shall at any time cease to have an employment, consulting or other service relationship with the Company (or any successor or its parent company) for any reason (the date of such termination being the “Termination Date”), the Company shall have the right (the “Repurchase Option”), for a period of 90 days from such Termination Date (the “Option Period”), to repurchase any or all of the Shares that have not yet been released from the Repurchase Option pursuant to Section 3(b) (the “Unvested Shares”) at a repurchase price per Share in cash of $2.65 (the “Repurchase Price”). The Company may exercise its Repurchase Option as to any or all of the Unvested Shares at any time during the Option Period by written notice to Purchaser; provided, however, that without requirement of further action on the part of either party hereto, the Repurchase Option shall be deemed to have been automatically exercised as to all Unvested Shares at 5:00 p.m. Pacific time on the last day of the Option Period, unless the Company declines in writing to exercise its Repurchase Option in whole or in part prior to such time; provided further, that notwithstanding the above, the Repurchase Option shall not be deemed to have been automatically exercised, and shall instead be deemed to become temporarily unexercisable as of such time and date and extended by the duration of any such period, in any case where such automatic exercise would result in a violation of applicable law (including without limitation Section
160 of the Delaware General Corporation Law), and the Repurchase Option shall once again be deemed exercisable (or, as provided above, exercised) as soon as a violation of applicable law would not result from its exercise.

(ii) If the Company determines not to exercise the Repurchase Option in whole or in part, it shall notify Purchaser prior to the end of the Option Period, and the Repurchase Option shall thereupon terminate as to any Unvested Shares for which the Company declined to exercise the Repurchase Option. If the Repurchase Option is exercised or deemed to be exercised, then within five (5) business days after the date of such exercise or deemed exercise, the Company shall notify the Escrow Agent (as defined below) thereof and shall make payment of the aggregate Repurchase Price for the Unvested Shares being repurchased by any of the following methods: (A) delivering to Purchaser a check in the amount of the aggregate Repurchase Price; (B) canceling an amount of indebtedness of Purchaser to the Company equal to the aggregate Repurchase Price; or (C) any combination of (A) and (B) such that the combined payment and cancellation of indebtedness equals such aggregate Repurchase Price. Upon delivery of the payment of the aggregate Repurchase Price in any of the ways described above, the Company shall become the legal and beneficial owner of the Unvested Shares being repurchased and all related rights and interests therein, and the Company shall have the right to retain and transfer to its own name the number of Unvested Shares being repurchased by the Company.

(iii) If the Company neither notifies Purchaser prior to the end of the Option Period of the Company’s decision not to exercise its Repurchase Option nor delivers payment of the aggregate Repurchase Price to Purchaser within five (5) business days after the actual or deemed exercise of the Repurchase Option or within an additional period in accordance with Section 3(a)(i), then the sole remedy of Purchaser thereafter shall be to receive the aggregate Repurchase Price from the Company in the manner set forth above for the Unvested Shares deemed repurchased, and in no case shall Purchaser have any claim of ownership as to any of such Unvested Shares. If the Repurchase Option is terminated in whole or in part by written notice from the Company to Purchaser, then upon and following such termination the only remaining right of Purchaser under this Agreement shall be the right to receive and retain the Unvested Shares as to which the Repurchase Option was terminated, and Purchaser shall have no right whatsoever to receive the Repurchase Price.

(b) Vesting; Release of Shares from Repurchase Option.

As of the date of this Agreement, all of the Shares shall initially be deemed Unvested Shares and subject to the Repurchase Option. One-fourth (1/4) of the Unvested Shares shall be released from the Repurchase Option on the first anniversary of the date of this Agreement so long as Purchaser has not voluntarily terminated his employment with the Company prior to such anniversary, and thereafter 1/12 of the remaining Unvested Shares shall be released from the Repurchase Option and shall thereupon cease to be Unvested Shares upon completion of each successive quarter of service after the first anniversary of this Agreement, until all Unvested Shares have been released from the Repurchase Option on the four (4) year anniversary of the Vesting Commencement Date. In the event of a Change of Control in which the vesting of any equity award held by any employee, officer or director of the Company employed after the date of this Agreement accelerates on a basis more favorable than that afforded to Purchaser hereunder, this Section 3(b) shall be deemed modified to provide Purchaser with such more favorable vesting acceleration.

(c) Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“Change of Control” means (A) a merger, consolidation or reorganization involving the Company in which the shares of capital stock of the Company outstanding immediately prior to such merger, consolidation or reorganization (or the shares of capital stock into which such shares are converted or for which such shares are exchanged in connection with such merger, consolidation or reorganization) do not represent immediately following such merger, consolidation or reorganization at least a majority, by voting power, of the capital stock of (1) the surviving or resulting entity or (2) if the surviving or resulting entity is a wholly owned subsidiary of another entity
immediately following such merger, consolidation or reorganization, the parent entity of such surviving or resulting entity; or (B) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company or any subsidiary of the Company of all or substantially all the assets of the Company and its subsidiaries taken as a whole, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Company.

(d) Escrow. For purposes of facilitating the enforcement of the provisions of this Section 3, Purchaser agrees, immediately upon receipt of the certificate(s) for the Shares subject to the Repurchase Option, to deliver such certificate(s), together with an Assignment Separate From Certificate in the form attached to this Agreement as Exhibit B executed by Purchaser (and by Purchaser’s spouse if required for transfer), in blank, to the Secretary of the Company or the Secretary’s designee (as applicable, the “Escrow Agent”), to hold such certificate(s) and Assignment Separate From Certificate in escrow and to take all such actions and to effectuate all such transfers and/or releases as are in accordance with the terms of this Agreement. Purchaser hereby acknowledges that the Escrow Agent is so appointed as the escrow holder with the foregoing authorities as a material inducement to make this Agreement and that such appointment is coupled with an interest and is accordingly irrevocable. Purchaser agrees that the Escrow Agent shall not be liable to any party hereof (or to any other party). The Escrow Agent may rely upon any letter, notice or other document executed by any signature purported to be genuine and may resign at any time. Purchaser agrees that if the Escrow Agent resigns as escrow holder for any or no reason, the Board of Directors of the Company shall have the power to appoint a successor to serve as escrow holder pursuant to the terms of this Agreement. Certificates representing the Shares that have been released from the Repurchase Option shall be delivered to Purchaser upon request promptly after such release.

4. Right of First Refusal

Before any Shares held by Purchaser or any transferee of Purchaser (either being sometimes referred to herein as the “Holder”) may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section 4 (the “Right of First Refusal”). Notwithstanding any other provision hereof, Purchaser shall not be entitled to sell or transfer any Shares which have not been released from the Repurchase Option.

(a) Transfer Notice. In the event that Purchaser (i) proposes to sell, pledge, gift or otherwise voluntarily transfer to a third party any Shares, or any interest therein (any such event a “Voluntary Transfer”), or (ii) any Shares, or any interest therein, are to be transferred involuntarily to any third party pursuant to divorce, legal separation, foreclosure, legal judgment, bankruptcy or other legal or administrative proceeding, or any other involuntary transfer (any such event an “Involuntary Transfer”), the Company shall have the Right of First Refusal with respect to all or any portion thereof, of such Shares. In the event of a proposed Voluntary Transfer or Involuntary Transfer, Purchaser shall promptly give a written notice (the “Transfer Notice”) to the Company describing fully the proposed transfer, including the number of Shares proposed to be transferred (and the number of such Shares that are Unvested Shares), the proposed transfer price (if applicable), the name and address of the proposed transferee (the “Transferee”), and evidence satisfactory to the Company that the proposed sale or transfer will not violate any applicable federal or state securities laws. In the event of an Involuntary Transfer, the Transfer Notice shall contain an explanation of the circumstances of the transfer and copies of any related legal documents, including without limitation any judgment liens, court documents or foreclosure notices. The Company shall have the right to purchase all or any portion thereof, of the Shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted under Sections 4(b) and 4(c)) by delivery of a notice of exercise of the Right of First Refusal within 30 days after the date when the Transfer Notice was received by the Company.

(b) Transfer of Shares. If the Company fails to exercise its entire Right of First Refusal within 30 days
after the date when it received the Transfer Notice, Purchaser may, not later than 90 days following receipt of the Transfer Notice by the Company, complete a transfer of the portion of the Shares not elected to be purchased by the Company, that are subject to the Transfer Notice on the terms and conditions described in the Transfer Notice, provided that any such sale must be made in compliance with applicable federal and state securities laws and not in violation of any other contractual restrictions to which Purchaser is bound. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by Purchaser or such Transferee, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in this Section 4. If the Company exercises any portion of its Right of First Refusal, the parties shall consummate the sale of the portion of the Shares to be purchased by the Company on the terms set forth in the Transfer Notice within 60 days after the date when the Company received the Transfer Notice (or within such longer period as may have been specified in the Transfer Notice), provided, however, that in the event the Transfer Notice provided that payment for the Shares was to be made in a form other than cash or cash equivalents (an “In-Kind Transfer”), the Company shall have the option of paying for the Shares with cash or cash equivalents at a price equal to the Fair Market Value (as determined pursuant to Section 4(c)) of the consideration described in the Transfer Notice.

(c) Transfer Price. In the event of a Voluntary Transfer by pledge, gift or In-Kind Transfer, or any Involuntary Transfer, the price per Share shall be determined as follows. The Company shall be entitled to purchase any Unvested Shares at the Repurchase Price. The Company shall be entitled to purchase any Shares that are no longer Unvested Shares at the then effective fair market value for such Shares, (the “Fair Market Value”), as determined in good faith by the Board of Directors. In the event that Purchaser or any proposed Transferee (a “Disagreeing Party”) disagrees with such Fair Market Value determined by the Board of Directors, the Disagreeing Party shall be entitled to have the Fair Market Value determined by an independent appraiser or recognized standing mutually acceptable to the Company and the Disagreeing Party, the fees for which appraisal shall be borne solely by the Disagreeing Party.

(d) Permitted Transfers. This Section 4 shall not apply to (i) a transfer by beneficiary designation, will or intestate succession or (ii) a Voluntary Transfer to any members of Purchaser’s Immediate Family (as defined below) or to a trust established by Purchaser for the benefit of Purchaser’s Immediate Family members, provided in each case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If Purchaser transfers any Shares, either under this Section 4(d) or after the Company has failed to exercise the Right of First Refusal, then this Section 4 shall apply to the Transferee to the same extent as it applied to Purchaser. “Immediate Family” as used herein shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, domestic partner, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships.

(i) Termination of Right of First Refusal. The Right of First Refusal pursuant to this Section 4 shall terminate upon the earlier of (x) the first sale of Common Stock to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended (the “Securities Act”) or (y) the closing of a Change of Control.

5. Assignment of Company Purchase Rights

The rights of the Company to purchase any portion of the Shares under Section 3 or Section 4 of this Agreement may be assigned, in whole or in part, to any stockholder or stockholders of the Company or other persons or organizations approved by the Board of Directors.

6. Termination of Rights as Stockholder

If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Shares to be purchased in accordance with Section 3 or Section 4 above, then
after such time the person from whom such Shares are to be purchased shall no longer have any rights as a Holder of such Shares (other than the right to receive payment of such consideration in accordance with this Agreement). Such Shares shall be deemed to have been purchased in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor has or have been delivered as required by this Agreement.

7. Market Standoff

In connection with the initial underwritten public offering by the Company of its equity securities, Purchaser agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the registration by the Company for its own behalf of shares of its common stock or other equity securities under the Securities Act and ending on the date specified by the Company and the managing underwriter (such period not to exceed 180 days, which period may be extended upon the request of the managing underwriter, to the extent required by any NASD, NYSE or FINRA rules, for an additional period of up to 15 days if the Company issues or proposes to issue an earnings or other public release within 15 days after the expiration of the 180-day period), (i) sell; offer to sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right or warrant to purchase; or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Stock held immediately before the effective date of the registration statement for such offering or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash, or otherwise. The foregoing provisions of this Section 7 shall apply only to the initial public offering of the Company, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall be applicable to the Holders only if all officers and directors are subject to the same restrictions. The underwriters in connection with such registration are intended third-party beneficiaries of this Section 7 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto.

8. Purchaser Representations

In connection with the purchase of the Shares, Purchaser represents and warrants to the Company the following:

(a) Purchaser is acquiring the Shares for investment for Purchaser’s own account only, not as a nominee or agent, and not with a view to, or for resale in connection with, any “distribution” thereof within the meaning of the Securities Act. Purchaser has no present intention of selling, granting any participation in or otherwise distributing the Shares. Purchaser does not have any contract, undertaking, agreement or arrangement with any person or entity to sell, transfer or grant participations to such person or entity or to any other person or entity, with respect to any of the Shares. Purchaser understands that the Shares have not been registered under the Securities Act or any state securities laws by reason of specific exemptions therefrom that depend upon, among other things, the bona fide nature of the investment intent and the accuracy of Purchaser’s representations as expressed herein, and that the Shares must be held indefinitely, unless they are subsequently registered under the Securities Act and applicable state securities laws or Purchaser provides evidence satisfactory to the Company that an exemption from registration is available. Purchaser further acknowledges and understands that the Company is under no obligation to register the Shares.

(b) Purchaser will not sell, transfer or otherwise dispose of the Shares in violation of the Securities Act, the Securities Exchange Act of 1934, any state securities law or the rules promulgated thereunder. Purchaser agrees that Purchaser will not dispose of the Shares unless and until Purchaser has complied with all requirements of this Agreement applicable to the disposition of Shares and Purchaser has provided the Company with written assurances, in substance and form satisfactory to the Company, that (i) the proposed disposition does not require registration of the Purchased Shares under the Securities Act, or all appropriate action necessary for compliance
with the registration requirements of the Securities Act or with any exemption from registration available under the Securities Act (including Rule 144) has been taken, and (ii) the proposed disposition will not result in the contravention of any transfer restrictions applicable to the Purchased Shares under any applicable state securities laws, rules and regulations.

(c) Purchaser has been furnished with, and has had access to, such information as Purchaser considers necessary or appropriate for deciding whether to invest in the Shares, and Purchaser has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the issuance of the Shares.

(d) Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser’s purchase or disposition of the Shares or Purchaser’s making of an election under Section 83(b) of the Internal Revenue Code of 1986, as amended (the “Code”) as contemplated by this Agreement. Purchaser represents that Purchaser has consulted any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company or counsel to the Company for any tax advice.

9. Restrictive Legends and Stop-Transfer Orders

(a) Legends. The certificate or certificates representing the Shares shall bear the following legends (as well as any legends required by applicable state and federal corporate and securities laws):

(i) THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAW AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHOUT EFFECTIVE REGISTRATIONS THEREUNDER OR AN OPINION OF COUNSEL, SATISFACTORY TO THE CORPORATION AND ITS COUNSEL, THAT SUCH REGISTRATIONS ARE NOT REQUIRED.

(ii) THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED OR IN ANY MANNER DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE TERMS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES), A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

(b) Stop-Transfer Notices. Purchaser agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate “stop transfer” instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred. Any attempt to transfer contrary to the provisions of Section 10(c) shall be void.

(d) Removal of Legend. When all of the following events have occurred, the Shares then held by Purchaser will no longer be subject to the legend referred to in Section 9(a)(ii): (i) the termination of the Right of First Refusal; (ii) the expiration or termination of the lock-up provisions of Section 7 (and of any agreement entered pursuant to Section 7); and (iii) the expiration or exercise in full of the Repurchase Option. After such time, and upon Purchaser’s request, a new certificate or certificates representing the Shares not repurchased shall be issued without the legend referred to in Section 9(a)(ii) and delivered to Purchaser.
10. **No Employment Rights**

Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a parent or subsidiary of the Company, to terminate Purchaser’s employment or consulting relationship, for any reason, with or without cause.

11. **Section 83(b) Election**

Purchaser understands that Section 83(a) of the Code taxes as ordinary income the difference between the amount paid for the Shares and the fair market value of the Shares as of the date any restrictions on the Shares lapse. In this context, “restriction” means the right of the Company to buy back the Shares pursuant to the Repurchase Option set forth in Section 3(a) of this Agreement. Purchaser understands that Purchaser may elect to be taxed at the time the Shares are purchased, rather than when and as the Repurchase Option expires, by filing an election under Section 83(b) of the Code (an “83(b) Election”), in substantially the form attached hereto as Exhibit C, with the Internal Revenue Service within 30 days from the date of purchase. Even if the fair market value of the Shares at the time of the execution of this Agreement equals the amount paid for the Shares, the election must be made to avoid income under Section 83(a) of the Code in the future. Purchaser understands that failure to file such an election in a timely manner may result in adverse tax consequences for Purchaser. Purchaser acknowledges and agrees that it is solely Purchaser’s responsibility to timely file an 83(b) Election, if Purchaser chooses to do so, that the Company has no responsibility or obligation of any kind to assist with such filing, and that Purchaser will have no claim of any kind against the Company or counsel to the Company if Purchaser fails to timely file such 83(b) Election. Purchaser further understands that an additional copy of such election form should be filed with Purchaser’s federal income tax return for the calendar year in which the date of this Agreement falls. Purchaser acknowledges that the foregoing is only a summary of the effect of United States federal income taxation with respect to purchase of the Shares hereunder and does not purport to be complete. Purchaser further acknowledges that the Company has directed Purchaser to seek independent advice regarding the applicable provisions of the Code, the income tax laws of any municipality, state or foreign country in which Purchaser may reside, and the tax consequences of Purchaser’s death.

12. **General**

(a) **Governing Law.** This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of New York, without giving effect to principles of conflicts of law.

(b) **Entire Agreement; Enforcement of Rights.** This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded, and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(d) **Construction.** This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(e) **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be
(f) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(g) **Successors and Assigns.** The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by, the Company’s successors and assigns. Any successor (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company’s business and/or assets shall be deemed to assume the obligations and to be entitled to the benefits under this Agreement to the same extent as the Company would be required to perform such obligations or would be entitled to such benefits in the absence of a succession. For all purposes under this Agreement, the term “Company” shall include any successor to the Company’s business and/or assets that executes and delivers the assumption agreement described in this section or that becomes bound by the terms of this Agreement by operation of law.

(h) **Option Plan.** The Shares are granted to Purchaser pursuant to the Company 2015 Incentive Share Option Plan (the “Plan”). Purchaser agrees that the terms and conditions of the Plan shall, to the extent applicable, apply to the Shares.

(i) **No Right to Continued Employment.** Purchaser acknowledges and agrees that the vesting of Shares pursuant to this Agreement is earned only by continuing service as a service provider at will (and not through the act of being hired or purchasing Shares hereunder). Purchaser further acknowledges and agrees that this Agreement, the transactions contemplated hereunder and the vesting schedule set forth herein do not constitute an express or implied promise of continued engagement as a service provider for the vesting period, or for any period at all, and shall not interfere with the Company’s right to terminate Purchaser’s relationship with the Company at any time, with or without cause or notice.

(j) **Specific Performance.** Purchaser understands and agrees that monetary damages would not adequately compensate the Company for the breach of this Agreement by Purchaser, that this Agreement shall be specifically enforceable, and that any breach or threatened breach of this Agreement shall be the proper subject of a temporary or permanent injunction or restraining order. Further, Purchaser hereto waives any claim or defense that there is an adequate remedy at law for such breach or threatened breach.

[Signature page follows]
The parties have executed this Agreement as of the date first set forth above.

LEMONADE, INC.

By: /s/ Daniel Schreiber
Name: Daniel Schreiber
Title: Chief Executive Officer

PURCHASER

/s/ John Peters
John Peters

Address:

Vesting Commencement
Date: March 8, 2017
LEMONADE, INC.

SPOUSAL CONSENT

I, [spouse name], spouse of Purchaser named in the foregoing Stock Purchase Agreement ("Agreement"), confirm that I have read and I understand such Agreement. In consideration of the Company’s granting my spouse the right to purchase the Shares as set forth in the Agreement, I hereby agree to be irrevocably bound by the Agreement, and further agree that any community property or similar interest that I may have in the Shares shall be similarly bound by the Agreement. I hereby appoint my spouse as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

Dated: March 8, 2017

[spouse name]
FOR VALUE RECEIVED and pursuant to that certain Stock Purchase Agreement between the undersigned ("Purchaser") and Lemonade, Inc., a Delaware corporation (the "Company"), dated March 8, 2017 (the “Agreement”), Purchaser hereby sells, assigns and transfers unto the Company 100,000 shares of the Common Stock of the Company standing in Purchaser’s name on the Company’s books and represented by Certificate No. , and hereby irrevocably constitutes and appoints Daniel Schreiber to transfer such stock on the books of the Company with full power of substitution in the premises.

THIS ASSIGNMENT MAY ONLY BE USED AS AUTHORIZED BY THE AGREEMENT AND THE EXHIBITS THERETO.

Dated: March 8, 2017

[Name]
LEMONADE GROUP, INC. RECEIPT AND CONSENT

The undersigned hereby acknowledges receipt of Certificate No. for shares of Common Stock of Lemonade, Inc. (the “Company”).

The undersigned further acknowledges that the Secretary of the Company, or his or her designee, is acting as escrow agent pursuant to the Stock Purchase Agreement that Purchaser has previously entered into with the Company. As escrow agent, the Secretary of the Company, or his or her designee, will hold the original of the aforementioned certificate issued in the undersigned’s name, and the undersigned consents to the Company delivering such certificate to such escrow agent on the undersigned’s behalf.

Dated: March 8, 2017

[NAME]
LEMONADE, INC.

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (the "Agreement") is entered into as of October 3rd, 2016 by and between Lemonade, Inc., a Delaware corporation (the "Company"), and John Peters ("Purchaser").

1. Purchase and Sale of Stock

Subject to the terms and conditions of this Agreement, on the Purchase Date (as defined below), the Company will issue and sell to Purchaser, and Purchaser agrees to purchase from the Company, 231.524 shares (the "Shares") of the Company’s common stock (the "Common Stock"), par value $0.0001 per share, in exchange for payment of $1.41 per Share in the form of a partial-recourse promissory note (total purchase price of $326,448.84), receipt of which is hereby acknowledged by the Company. The Company hereby represents and warrants to Purchaser that as of the date hereof the Shares represent one percent (1%) of the Company’s fully-diluted Common Stock, including all Common Stock reserved for future issuance. The term “Shares” shall include the purchased Shares and all securities received in replacement of or in connection with the Shares pursuant to any stock dividends or splits, all securities received in replacement of the Shares in any recapitalization, merger, reorganization, exchange or the like, and all new, substituted or additional securities or other properties to which Purchaser is entitled by reason of Purchaser’s ownership of the Shares.

2. Closing

The purchase and sale of the Shares shall occur at the principal office of the Company simultaneously with the execution of this Agreement or on such other date as the Company and Purchaser shall agree (the "Purchase Date"). On the Purchase Date, the Company will deliver to Purchaser a stock certificate representing the Shares purchased by Purchaser, against payment of the purchase price for the Shares by (a) check made payable to the Company, (b) cancellation of indebtedness of the Company to Purchaser, or (c) by a combination of the foregoing.

3. Repurchase Right

In addition to any other limitation on transfer created by applicable securities laws, Purchaser shall not assign, encumber or dispose of any interest in the Shares while the Shares are subject to the Company’s Repurchase Option (as defined below). After any Shares have been released from the Repurchase Option, Purchaser shall not assign, encumber or dispose of any interest in such Shares except in compliance with the provisions of this Agreement and applicable securities laws.

(a) Repurchase Option.

(i) In the event that Purchaser shall at any time cease to have an employment, consulting or other service relationship with the Company (or any successor or its parent company) for any reason (the date of such termination being the "Termination Date"), the Company shall have the right (the "Repurchase Option") for a period of 90 days from such Termination Date (the "Option Period"), to repurchase any or all of the Shares that have not yet been released from the Repurchase Option pursuant to Section 3(b) (the "Unvested Shares") at a repurchase price per Share in cash of $1.41 (the "Repurchase Price"). The Company may exercise its Repurchase Option as to any or all of the Unvested Shares at any time during the Option Period by written notice to Purchaser; provided, however, that without requirement of further action on the part of either party hereto, the Repurchase Option shall be deemed to have been
automatically exercised as to all Unvested Shares at 5:00 p.m. Pacific time on the last day of the Option Period, unless the Company declines in writing to exercise its Repurchase Option in whole or in part prior to such time; provided further, that notwithstanding the above, the Repurchase Option shall not be deemed to have been automatically exercised, and shall instead be deemed to become temporarily unexercisable as of such time and date and extended by the duration of any such period. in any case where such automatic exercise would result in a violation of applicable law (including without limitation Section 160 of the Delaware General Corporation Law), and the Repurchase Option shall once again be deemed exercisable (or, as provided above, exercised) as soon as a violation of applicable law would not result from its exercise.

(ii) If the Company determines not to exercise the Repurchase Option in whole or in part, it shall notify Purchaser prior to the end of the Option Period, and the Repurchase Option shall thereupon terminate as to any Unvested Shares for which the Company declined to exercise the Repurchase Option. If the Repurchase Option is exercised or deemed to be exercised, then within five (5) business days after the date of such exercise or deemed exercise, the Company shall notify the Escrow Agent (as defined below) thereof and shall make payment of the aggregate Repurchase Price for the Unvested Shares being repurchased by any of the following methods: (A) delivering to Purchaser a check in the amount of the aggregate Repurchase Price; (B) canceling an amount of indebtedness of Purchaser to the Company equal to the aggregate Repurchase Price; or (C) any combination of (A) and (B) such that the combined payment and cancellation of indebtedness equals such aggregate Repurchase Price. Upon delivery of the payment of the aggregate Repurchase Price in any of the ways described above, the Company shall become the legal and beneficial owner of the Unvested Shares being repurchased and all related rights and interests therein, and the Company shall have the right to retain and transfer to its own name the number of Unvested Shares being repurchased by the Company.

(iii) If the Company neither notifies Purchaser prior to the end of the Option Period of the Company’s decision not to exercise its Repurchase Option nor delivers payment of the aggregate Repurchase Price to Purchaser within five (5) business days after the actual or deemed exercise of the Repurchase Option (or within an additional period in accordance with Section 3(a)(i)), then the sole remedy of Purchaser thereafter shall be to receive the aggregate Repurchase Price from the Company in the manner set forth above for the Unvested Shares deemed repurchased, and in no case shall Purchaser have any claim of ownership as to any of such Unvested Shares. If the Repurchase Option is terminated in whole or in part by written notice from the Company to Purchaser, then upon and following such termination the only remaining right of Purchaser under this Agreement shall be the right to receive and retain the Unvested Shares as to which the Repurchase Option was terminated, and Purchaser shall have no right whatsoever to receive the Repurchase Price.

(b) Vesting; Release of Shares from Repurchase Option.

As of the date of this Agreement, all of the Shares shall initially be deemed Unvested Shares and subject to the Repurchase Option. One-fourth (1/4) of the Unvested Shares shall be released from the Repurchase Option on the first anniversary of the date of this Agreement so long as Purchaser has not voluntarily terminated his employment with the Company prior to such anniversary”, and thereafter 1/12 of the remaining Unvested Shares shall be released from the Repurchase Option and shall thereupon cease to be Unvested Shares upon completion of each successive quarter of service after the first anniversary of this Agreement, until all Unvested Shares have been released from the Repurchase Option on the four (4) year anniversary of the Vesting Commencement Date. In the event of a Change of Control in which the vesting of any equity award held by any employee, officer or director of the Company employed after the date of this Agreement accelerates on a basis more favorable than that afforded to Purchaser hereunder, this Section 3(b) shall be deemed modified to provide Purchaser with such more favorable vesting acceleration.
Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“Change of Control” means (A) a merger, consolidation or reorganization involving the Company in which the shares of capital stock of the Company outstanding immediately prior to such merger, consolidation or reorganization (or the shares of capital stock into which such shares are converted or for which such shares are exchanged in connection with such merger, consolidation or reorganization) do not represent immediately following such merger, consolidation or reorganization at least a majority, by voting power, of the capital stock of (1) the surviving or resulting entity or (2) if the surviving or resulting entity is a wholly owned subsidiary of another entity immediately following such merger, consolidation or reorganization, the parent entity of such surviving or resulting entity; or (B) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company or any subsidiary of the Company of all or substantially all the assets of the Company and its subsidiaries taken as a whole, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Company.

(d) Escrow. For purposes of facilitating the enforcement of the provisions of this Section 3, Purchaser agrees, immediately upon receipt of the certificate(s) for the Shares subject to the Repurchase Option, to deliver such certificate(s) together with an Assignment Separate From Certificate in the form attached to this Agreement as Exhibit B executed by Purchaser (and by Purchaser’s spouse if required for transfer), in blank, to the Secretary of the Company or the Secretary’s designee (as applicable, the “Escrow Agent”), to hold such certificate(s) and Assignment Separate From Certificate in escrow and to take all such actions and to effectuate all such transfers and/or releases as are in accordance with the terms of this Agreement. Purchaser hereby acknowledges that the Escrow Agent is so appointed as the escrow holder with the foregoing authorities as a material inducement to make this Agreement and that such appointment is coupled with an interest and is accordingly irrevocable. Purchaser agrees that the Escrow Agent shall not be liable to any party hereof (or to any other party). The Escrow Agent may rely upon any letter, notice or other document executed by any signature purported to be genuine and may resign at any time. Purchaser agrees that if the Escrow Agent resigns as escrow holder for any or no reason, the Board of Directors of the Company shall have the power to appoint a successor to serve as Escrow holder pursuant to the terms of this Agreement. Certificates representing the Shares that have been released from the Repurchase Option shall be delivered to Purchaser upon request promptly after such release.

4. Right of First Refusal

Before any Shares held by Purchaser or any transferee of Purchaser (either being sometimes referred to herein as the “Holder”) may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section 4 (the “Right of First Refusal”). Notwithstanding any other provision hereof, Purchaser shall not be entitled to sell or transfer any Shares which have not been released from the Repurchase Option.

(a) Transfer Notice. In the event that Purchaser (i) proposes to sell, pledge, gift or otherwise voluntarily transfer to a third party any Shares, or any interest therein (any such event a “Voluntary Transfer”), or (ii) any Shares, or any interest therein, are to be transferred involuntarily to any third party pursuant to divorce, legal separation, foreclosure, legal judgment, bankruptcy or other legal or administrative proceeding, or any other involuntary transfer (any such event an “Involuntary Transfer”), the Company shall have the Right of First Refusal with respect to all or any portion thereof, of such Shares. In the event of a proposed Voluntary Transfer or Involuntary Transfer, Purchaser shall promptly give a written notice (the “Transfer Notice”) to the Company describing fully the proposed transfer, including the number of Shares proposed to be transferred (and the number of such Shares that are Unvested Shares), the proposed transfer price (if applicable), the name and address of the proposed transferee (the “Transferee”), and evidence satisfactory to the Company that the proposed sale or
transfer will not violate any applicable federal or state securities laws. In the event of an Involuntary Transfer, the Transfer Notice shall contain an explanation of the circumstances of the transfer and copies of any related legal documents, including without limitation any judgment liens, court documents or foreclosure notices. The Company shall have the right to purchase all, or any portion thereof, of the Shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted under Sections 4(b) and 4(c)) by delivery of a notice of exercise a; the Right of First Refusal within 30 days after the date when the Transfer Notice was received by the Company.

(b) Transfer of Shares. If the Company fails to exercise its entire Right of First Refusal within 30 days after the date when it received the Transfer Notice, Purchaser may, not later than 90 days following receipt of the Transfer Notice by the Company, complete a transfer of the portion of the Shares not elected to be purchased by the Company, that are subject to the Transfer Notice on the terms and conditions described in the Transfer Notice, provided that any such sale must be made in compliance with applicable federal and state securities laws and not in violation of any other contractual restrictions to which Purchaser is bound. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by Purchaser or such Transferee, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in this Section 4. If the Company exercises any portion of its Right of First Refusal, the parties shall consummate the sale of the portion of the Shares to be purchased by the Company on the terms set forth in the Transfer Notice within 60 days after the date when the Company received the Transfer Notice (or within such longer period as may have been specified in the Transfer Notice), provided, however, that in the event the Transfer Notice provided that payment for the Shares was to be made in a form other than cash or cash equivalents (an “In-Kind Transfer”), the Company shall have the option of paying for the Shares; with cash or cash equivalents at a price equal to the Fair Market Value (as determined pursuant to Section 4(c)) of the consideration described in the Transfer Notice.

(c) Transfer Price. In the event of a Voluntary Transfer by pledge, gift or In-Kind Transfer, or any Involuntary Transfer, the price per Share shall be determined as follows. The Company shall be entitled to purchase any Unvested Shares at the Repurchase Price. The Company shall be entitled to purchase any Shares that are no longer Unvested Shares at the then effective fair market value for such Shares, (the “Fair Market Value”), as determined in good faith by the Board of Directors. In the event that Purchaser or any proposed Transferee (a “Disagreeing Party”) disagrees with such Fair Market Value determined by the Board of Directors, the Disagreeing Party shall be entitled to have the Fair Market Value determined by an independent appraiser or recognized standing mutually acceptable to the Company and the Disagreeing Party, the fees for which appraisal shall be borne solely by the Disagreeing Party.

(d) Permitted Transfers. This Section 4 shall not apply to (i) a transfer by beneficiary designation, will or intestate succession or (ii) a Voluntary Transfer to any members of Purchaser’s Immediate Family (as defined below) or to a trust established by Purchaser for the benefit of Purchaser or Purchaser’s Immediate Family members, provided in each case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If Purchaser transfers any Shares, either under this Section 4(d) or after the Company has failed to exercise the Right of First Refusal, then this Section 4 shall apply to the Transferee to the same extent as it applied to Purchaser. “Immediate Family” as used herein shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, domestic partner, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relation; hips.

(i) Termination of Right of First Refusal. The Right of First Refusal pursuant to this Section 4 shall terminate upon the earlier of (x) the first sale of Common Stock to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended (the “Securities Act”) or (y) the closing of a Change of Control.
5. **Assignment of Company Purchase Rights**

The rights of the Company to purchase any portion of the Shares under Section 3 or Section 4 of this Agreement may be assigned, in whole or in part, to any stockholder or stockholders of the Company or other persons or organizations approved by the Board of Directors.

6. **Termination of Rights as Stockholder**

If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Shares to be purchased in accordance with Section 3 or Section 4 above, then after such time the person from whom such Shares are to be purchased shall no longer have any rights as a Holder of such Shares (other than the right to receive payment of such consideration in accordance with this Agreement). Such Shares shall be deemed to have been purchased in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor has or have been delivered as required by this Agreement.

7. **Market Standoff**

In connection with the initial underwritten public offering by the Company of its equity securities, Purchaser agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the registration by the Company for its own behalf of shares of its common stock or other equity securities under the Securities Act and ending on the date specified by the Company and the managing underwriter (such period not to exceed 180 days, which period may be extended upon the request of the managing underwriter, to the extent required by any NASD, NYSE or FINRA rules, for an additional period of up to 15 days if the Company issues or proposes to issue an earnings or other public release within 15 days after the expiration of the 180-day period), (i) lend: offer: pledge: sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right or warrant to purchase: or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Stock held immediately before the effective date of the registration statement for such offering or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash, or otherwise. The foregoing provisions of this Section 7 shall apply only to the initial public offering of the Company, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall be applicable to the Holders only if all officers and directors are subject to the same restrictions. The underwriters in connection with such registration are intended third-party beneficiaries of this Section 7 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto.

8. **Purchaser Representations**

In connection with the purchase of the Shares, Purchaser represents and warrants to the Company the following:

(a) Purchaser is acquiring the Shares for investment for Purchaser’s own account only, not as a nominee or agent, and not with a view to, or for resale in connection with, any “distribution” thereof within the meaning of the Securities Act. Purchaser has no present intention of selling, granting any participation in or otherwise distributing the Shares. Purchaser does not have any contract undertaking, agreement or arrangement with any person or entity to sell, transfer or grant participations to such person or entity or to any other person or entity, with respect to any of the Shares. Purchaser understands that the Shares have not been registered under the Securities Act or any state securities laws by reason of specific exemptions therefrom that depend upon, among other things, the bona fide nature of the investment intent and the accuracy of Purchaser’s representations as expressed herein, and that the
Shares must be held indefinitely, unless they are subsequently registered under the Securities Act and applicable state securities laws or Purchaser provides evidence satisfactory to the Company that an exemption from registration is available. Purchaser further acknowledges and understands that the Company is under no obligation to register the Shares.

(b) Purchaser will not sell, transfer or otherwise dispose of the Shares in violation of the Securities Act, the Securities Exchange Act of 1934, any state securities law or the rules promulgated thereunder. Purchaser agrees that Purchaser will not dispose of the Shares unless and until Purchaser has complied with all requirements of this Agreement applicable to the disposition of Shares and Purchaser has provided the Company with written assurances, in substance and form satisfactory to the Company, that (i) the proposed disposition does not require registration of the Purchased Shares under the Securities Act, or all appropriate action necessary for compliance with the registration requirements of the Securities Act or with any exemption from registration available under the Securities Act (including Rule 144) has been taken, and (ii) the proposed disposition will not result in the contravention of any transfer restrictions applicable to the Purchased Shares under any applicable state securities laws, rules and regulations.

(c) Purchaser has been furnished with, and has had access to, such information as Purchaser considers necessary or appropriate for deciding whether to invest in the Shares, and Purchaser has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the issuance of the Shares.

(d) Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser’s purchase or disposition of the Shares or Purchaser’s making of an election under Section 83(b) of the Internal Revenue Code of 1986, as amended (the “Code”) as contemplated by this Agreement. Purchaser represents that Purchaser has consulted any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company or counsel to the Company for any tax advice.

9. **Restrictive Legends and Stop-Transfer Orders**

(a) **Legends.** The certificate or certificates representing the Shares shall bear the following legends (as well as any legends required by applicable state and federal corporate and securities laws):

(i) THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAW AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHOUT EFFECTIVE REGISTRATIONS THEREUNDER OR AN OPINION OF COUNSEL, SATISFACTORY TO THE CORPORATION AND ITS COUNSEL, THAT SUCH REGISTRATIONS ARE NOT REQUIRED.

(ii) THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED OR IN ANY MANNER DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE TERMS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES), A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

(b) **Stop-Transfer Notices.** Purchaser agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate “stop transfer” instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) **Refusal to Transfer.** The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this
Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred. Any attempt to transfer contrary to the provisions of Section 10(c) shall be void.

(d) Removal of Legend. When all of the following events have occurred, the Shares then held by Purchaser will no longer be subject to the legend referred to in Section 9(a)(ii): (i) the termination of the Right of First Refusal; (ii) the expiration or termination of the lock-up provisions of Section 7 (and of any agreement entered pursuant to Section 7); and (iii) the expiration or exercise in full of the Repurchase Option. After such time, and upon Purchaser’s request, a new certificate or certificates representing the Shares not repurchased shall be issued without the legend referred to in Section 9(a)(ii) and delivered to Purchaser.

10. No Employment Rights

Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a parent or subsidiary of the Company, to terminate Purchaser’s employment or consulting relationship, for any reason, with or without cause.

11. Section 83(b) Election

Purchaser understands that Section 83(a) of the Code taxes as ordinary income the difference between the amount paid for the Shares and the fair market value of the Shares as of the date any restrictions on the Shares lapse. In this context, “restriction” means the right of the Company to buy back the Shares pursuant to the Repurchase Option set forth in Section 3(a) of this Agreement. Purchaser understands that Purchaser may elect to be taxed at the time the Shares are purchased, rather than when and as the Repurchase Option expires, by filing an election under Section 83(b) of the Code (an “83(b) Election”), in substantially the form attached hereto as Exhibit C, with the Internal Revenue Service within 30 days from the date of purchase. Even if the fair market value of the Shares at the time of the execution of this Agreement equals the amount paid for the Shares, the election must be made to avoid income under Section 83(a) of the Code in the future. Purchaser understands that failure to file such an election in a timely manner may result in adverse tax consequences for Purchaser. Purchaser acknowledges and agrees that it is solely Purchaser’s responsibility to timely file an 83(b) Election, if Purchaser chooses to do so, that the Company has no responsibility or obligation of any kind to assist with such filing, and that Purchaser will have no claim of any kind against the Company or counsel to the Company if Purchaser fails to timely file such 83(b) Election. Purchaser further understands that an additional copy of such election form should be filed with Purchaser’s federal income tax return for the calendar year in which the date of this Agreement falls. Purchaser acknowledges that the foregoing is only a summary of the effect of United States federal income taxation with respect to purchase of the Shares hereunder and does not purport to be complete. Purchaser further acknowledges that the Company has directed Purchaser to seek independent advice regarding the applicable provisions of the Code, the income tax laws of any municipality, state or foreign country in which Purchaser may reside, and the tax consequences of Purchaser’s death.

12. General

(a) Governing Law. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of New York, without giving effect to principles of conflicts of law.

(b) Entire Agreement; Enforcement of Rights. This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver.
of any rights of such party.

(c) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded, and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(d) **Construction.** This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(e) **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by fax or 48 hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party’s address or fax number as set forth below or as subsequently modified by written notice.

(f) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(g) **Successors and Assigns.** The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by, the Company’s successors and assigns. Any successor (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company’s business and/or assets shall be deemed to assume the obligations and to be entitled to the benefits under this Agreement to the same extent as the Company would be required to perform such obligations or would be entitled to such benefits in the absence of a succession. For all purposes under this Agreement, the term “Company” shall include any successor to the Company’s business and/or assets that executes and delivers the assumption agreement described in this section or that becomes bound by the terms of this Agreement by operation of law.

(h) **Option Plan.** The Shares are granted to Purchaser pursuant to the Company 2015 Incentive Share Option Plan (the “Plan”). Purchaser agrees that the terms and conditions of the Plan shall, to the extent applicable, apply to the Shares.

(i) **No Right to Continued Employment.** Purchaser acknowledges and agrees that the vesting of Shares pursuant to this Agreement is earned only by continuing service as a service provider at will (and not through the act of being hired or purchasing Shares hereunder). Purchaser further acknowledges and agrees that this Agreement, the transactions contemplated hereunder and the vesting schedule set forth herein do not constitute an express or implied promise of continued engagement as a service provider for the vesting period, or for any period at all, and shall not interfere with the Company’s right to terminate Purchaser’s relationship with the Company at any time, with or without cause or notice.

(j) **Specific Performance.** Purchaser understands and agrees that monetary damages would not adequately compensate the Company for the breach of this Agreement by Purchaser, that this Agreement shall be specifically enforceable, and that any breach or threatened breach of this Agreement shall be the proper subject of a temporary or permanent injunction or restraining order. Further, Purchaser hereto waives any claim or defense that there is an adequate remedy at law for such breach or threatened breach.

[Signature page follows]

The parties have executed this Agreement as of the date first set forth above.

LEMONADE, INC.

By: /s/ Daniel Schreiber
Name: Daniel Schreiber
Title: Chief Executive Officer

PURCHASER

/s/ John Peters
John Peters

Address: [ ]

Vesting Commencement Date: September 26, 2016
LEMONADE, INC.

SPOUSAL CONSENT

I, Jessica Peters, spouse of Purchaser named in the foregoing Stock Purchase Agreement ("Agreement"), confirm that I have read and I understand such Agreement. In consideration of the Company’s granting my spouse the right to purchase the Shares as set forth in the Agreement, I hereby agree to be irrevocably bound by the Agreement, and further agree that any community property or similar interest that I may have in the Shares shall be similarly bound by the Agreement. I hereby appoint my spouse as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

Dated: October 1, 2016

/s/ Jessica Peters

[SPOUSE NAME]
ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED and pursuant to that certain Stock Purchase Agreement between the undersigned ("Purchaser") and Lemonade. Inc., a Delaware corporation (the "Company"), dated October 3, 2016 (the "Agreement"). Purchaser hereby sells, assigns and transfers unto the Company shares of the Common Stock of the Company standing in Purchaser’s name on the Company’s books and represented by Certificate No. , and hereby irrevocably constitutes and appoints Daniel Schreiber to transfer such stock on the books of the Company with full power of substitution in the premises.

THIS ASSIGNMENT MAY ONLY BE USED AS AUTHORIZED BY THE AGREEMENT AND THE EXHIBITS THERETO.

Dated: October 3, 2016

[Name]
The undersigned hereby acknowledges receipt of Certificate No.   for    shares of Common Stock of Lemonade. Inc. (the “Company”).

The undersigned further acknowledges that the Secretary of the Company, or his or her designee, is acting as escrow agent pursuant to the Stock Purchase Agreement that Purchaser has previously entered into with the Company. As escrow agent, the Secretary of the Company, or his or her designee, will hold the original of the aforementioned certificate issued in the undersigned’s name, and the undersigned consents to the Company delivering such certificate to such escrow agent on the undersigned’s behalf.

Dated: October 3, 2016

[Name]
AWS Customer Agreement

This AWS Customer Agreement (this “Agreement”) contains the terms and conditions that govern your access to and use of the Service Offerings (as defined below) and is an agreement between the applicable AWS Contracting Party specified in Section 14 below (also referred to as “AWS,” “we,” “us,” or “our”) and you or the entity you represent (“you” or “your”). This Agreement takes effect when you click an “I Accept” button or check box presented with these terms or, if earlier, when you use any of the Service Offerings (the “Effective Date”). You represent to us that you are lawfully able to enter into contracts (e.g., you are not a minor). If you are entering into this Agreement for an entity, such as the company you work for, you represent to us that you have legal authority to bind that entity. Please see Section 14 for definitions of certain capitalized terms used in this Agreement.

1. Use of the Service Offerings.

1.1 Generally. You may access and use the Service Offerings in accordance with this Agreement. Service Level Agreements and Service Terms apply to certain Service Offerings. You will comply with the terms of this Agreement and all laws, rules and regulations applicable to your use of the Service Offerings.

1.2 Your Account. To access the Services, you must have an AWS account associated with a valid email address and a valid form of payment. Unless explicitly permitted by the Service Terms, you will only create one account per email address.

1.3 Third-Party Content. Third-Party Content may be used by you at your election. Third-Party Content is governed by this Agreement and, if applicable, separate terms and conditions accompanying such Third-Party Content, which terms and conditions may include separate fees and charges.

2. Changes.

2.1 To the Services. We may change or discontinue any of the Services from time to time. We will provide you at least 12 months’ prior notice if we discontinue material functionality of a Service that you are using, or materially alter a customer-facing API that you are using in a backwards-incompatible fashion, except that this notice will not be required if the 12 month notice period (a) would pose a security or intellectual property issue to us or the Services, (b) is economically or technically burdensome, or (c) would cause us to violate legal requirements.
2.2 To the Service Level Agreements. We may change, discontinue or add Service Level Agreements from time to time in accordance with Section 12.

3. Security and Data Privacy.

3.1 AWS Security. Without limiting Section 10 or your obligations under Section 4.2, we will implement reasonable and appropriate measures designed to help you secure Your Content against accidental or unlawful loss, access or disclosure.

3.2 Data Privacy. You may specify the AWS regions in which Your Content will be stored. You consent to the storage of Your Content in, and transfer of Your Content into, the AWS regions you select. We will not access or use Your Content except as necessary to maintain or provide the Service Offerings, or as necessary to comply with the law or a binding order of a governmental body. We will not (a) disclose Your Content to any government or third party or (b) subject to Section 3.3, move Your Content from the AWS regions selected by you; except in each case as necessary to comply with the law or a binding order of a governmental body. Unless it would violate the law or a binding order of a governmental body, we will give you notice of any legal requirement or order referred to in this Section 3.2. We will only use your Account Information in accordance with the Privacy Policy, and you consent to such usage. The Privacy Policy does not apply to Your Content.

3.3 Service Attributes. To provide billing and administration services, we may process Service Attributes in the AWS region(s) where you use the Service Offerings and the AWS regions in the United States. To provide you with support services initiated by you and investigate fraud, abuse or violations of this Agreement, we may process Service Attributes where we maintain our support and investigation personnel.

4. Your Responsibilities.

4.1 Your Accounts. Except to the extent caused by our breach of this Agreement, (a) you are responsible for all activities that occur under your account, regardless of whether the activities are authorized by you or undertaken by you, your employees or a third party (including your contractors, agents or End Users), and (b) we and our affiliates are not responsible for unauthorized access to your account.

4.2 Your Content. You will ensure that Your Content and your and End Users’ use of Your Content or the Service Offerings will not violate any of the Policies or any applicable law. You are solely responsible for the development, content, operation, maintenance, and use of Your Content.
4.3 Your Security and Backup. You are responsible for properly configuring and using the Service Offerings and otherwise taking appropriate action to secure, protect and backup your accounts and Your Content in a manner that will provide appropriate security and protection, which might include use of encryption to protect Your Content from unauthorized access and routinely archiving Your Content.

4.4 Log-In Credentials and Account Keys. AWS log-in credentials and private keys generated by the Services are for your internal use only and you will not sell, transfer or sublicense them to any other entity or person, except that you may disclose your private key to your agents and subcontractors performing work on your behalf.

4.5 End Users. You will be deemed to have taken any action that you permit, assist or facilitate any person or entity to take related to this Agreement, Your Content or use of the Service Offerings. You are responsible for End Users’ use of Your Content and the Service Offerings. You will ensure that all End Users comply with your obligations under this Agreement and that the terms of your agreement with each End User are consistent with this Agreement. If you become aware of any violation of your obligations under this Agreement caused by an End User, you will immediately suspend access to Your Content and the Service Offerings by such End User. We do not provide any support or services to End Users unless we have a separate agreement with you or an End User obligating us to provide such support or services.

5. Fees and Payment.

5.1 Service Fees. We calculate and bill fees and charges monthly. We may bill you more frequently for fees accrued if we suspect that your account is fraudulent or at risk of non-payment. You will pay us the applicable fees and charges for use of the Service Offerings as described on the AWS Site using one of the payment methods we support. All amounts payable by you under this Agreement will be paid to us without setoff or counterclaim, and without any deduction or withholding. Fees and charges for any new Service or new feature of a Service will be effective when we post updated fees and charges on the AWS Site, unless we expressly state otherwise in a notice. We may increase or add new fees and charges for any existing Services you are using by giving you at least 30 days’ prior notice. We may elect to charge you interest at the rate of 1.5% per month (or the highest rate permitted by law, if less) on all late payments.

5.2 Taxes. Each party will be responsible, as required under applicable law, for identifying and paying all taxes and other governmental fees and charges (and any penalties, interest, and other additions thereto) that are imposed on that party upon or with respect to the
transactions and payments under this Agreement. All fees payable by you are exclusive of Indirect Taxes. We may charge and you will pay applicable Indirect Taxes that we are legally obligated or authorized to collect from you. You will provide such information to us as reasonably required to determine whether we are obligated to collect Indirect Taxes from you. We will not collect, and you will not pay, any Indirect Tax for which you furnish us a properly completed exemption certificate or a direct payment permit certificate for which we may claim an available exemption from such Indirect Tax. All payments made by you to us under this Agreement will be made free and clear of any deduction or withholding, as may be required by law. If any such deduction or withholding (including but not limited to cross-border withholding taxes) is required on any payment, you will pay such additional amounts as are necessary so that the net amount received by us is equal to the amount then due and payable under this Agreement. We will provide you with such tax forms as are reasonably requested in order to reduce or eliminate the amount of any withholding or deduction for taxes in respect of payments made under this Agreement.

6. Temporary Suspension.

6.1 Generally. We may suspend your or any End User’s right to access or use any portion or all of the Service Offerings immediately upon notice to you if we determine:

(a) your or an End User’s use of the Service Offerings (i) poses a security risk to the Service Offerings or any third party, (ii) could adversely impact our systems, the Service Offerings or the systems or Content of any other AWS customer, (iii) could subject us, our affiliates, or any third party to liability, or (iv) could be fraudulent;

(b) you are, or any End User is, in breach of this Agreement;

(c) you are in breach of your payment obligations under Section 5; or

(d) you have ceased to operate in the ordinary course, made an assignment for the benefit of creditors or similar disposition of your assets, or become the subject of any bankruptcy, reorganization, liquidation, dissolution or similar proceeding.

6.2 Effect of Suspension. If we suspend your right to access or use any portion or all of the Service Offerings:
(a) you remain responsible for all fees and charges you incur during the period of suspension; and
(b) you will not be entitled to any service credits under the Service Level Agreements for any period of suspension.

7. Term; Termination.

7.1 Term. The term of this Agreement will commence on the Effective Date and will remain in effect until terminated under this Section 7. Any notice of termination of this Agreement by either party to the other must include a Termination Date that complies with the notice periods in Section 7.2.

7.2 Termination.

(a) Termination for Convenience. You may terminate this Agreement for any reason by providing us notice and closing your account for all Services for which we provide an account closing mechanism. We may terminate this Agreement for any reason by providing you at least 30 days’ advance notice.

(b) Termination for Cause.

(i) By Either Party. Either party may terminate this Agreement for cause if the other party is in material breach of this Agreement and the material breach remains uncured for a period of 30 days from receipt of notice by the other party. No later than the Termination Date, you will close your account.

(ii) By Us. We may also terminate this Agreement immediately upon notice to you (A) for cause if we have the right to suspend under Section 6, (B) if our relationship with a third-party partner who provides software or other technology we use to provide the Service Offerings expires, terminates or requires us to change the way we provide the software or other technology as part of the Services, or (C) in order to comply with the law or requests of governmental entities.
7.3 Effect of Termination.

(a) Generally. Upon the Termination Date:

(i) except as provided in Section 7.3(b), all your rights under this Agreement immediately terminate;

(ii) you remain responsible for all fees and charges you have incurred through the Termination Date and are responsible for any fees and charges you incur during the post-termination period described in Section 7.3(b);

(iii) you will immediately return or, if instructed by us, destroy all AWS Content in your possession; and

(iv) Sections 4.1, 5, 7.3, 8 (except the license granted to you in Section 8.3), 9, 10, 11, 13 and 14 will continue to apply in accordance with their terms.

(b) Post-Termination. Unless we terminate your use of the Service Offerings pursuant to Section 7.2(b), during the 30 days following the Termination Date:

(i) we will not take action to remove from the AWS systems any of Your Content as a result of the termination; and

(ii) we will allow you to retrieve Your Content from the Services only if you have paid all amounts due under this Agreement.

For any use of the Services after the Termination Date, the terms of this Agreement will apply and you will pay the applicable fees at the rates under Section 5.

8.1 Your Content. Except as provided in this Section 8, we obtain no rights under this Agreement from you (or your licensors) to Your Content. You consent to our use of Your Content to provide the Service Offerings to you and any End Users.

8.2 Adequate Rights. You represent and warrant to us that: (a) you or your licensors own all right, title, and interest in and to Your Content and Suggestions; (b) you have all rights in Your Content and Suggestions necessary to grant the rights contemplated by this Agreement; and (c) none of Your Content or End Users’ use of Your Content or the Service Offerings will violate the Acceptable Use Policy.

8.3 Service Offerings License. We or our licensors own all right, title, and interest in and to the Service Offerings, and all related technology and intellectual property rights. Subject to the terms of this Agreement, we grant you a limited, revocable, non-exclusive, non-sublicensable, non-transferrable license to do the following:
(a) access and use the Services solely in accordance with this Agreement; and (b) copy and use the AWS Content solely in connection with your permitted use of the Services. Except as provided in this Section 8.3, you obtain no rights under this Agreement from us, our affiliates or our licensors to the Service Offerings, including any related intellectual property rights. Some AWS Content and Third-Party Content may be provided to you under a separate license, such as the Apache License, Version 2.0, or other open source license. In the event of a conflict between this Agreement and any separate license, the separate license will prevail with respect to the AWS Content or Third-Party Content that is the subject of such separate license.

8.4 License Restrictions. Neither you nor any End User will use the Service Offerings in any manner or for any purpose other than as expressly permitted by this Agreement. Neither you nor any End User will, or will attempt to (a) modify, distribute, alter, tamper with, repair, or otherwise create derivative works of any Content included in the Service Offerings (except to the extent Content included in the Service Offerings is provided to you under a separate license that expressly permits the creation of derivative works), (b) reverse engineer, disassemble, or decompile the Service Offerings or apply any other process or procedure to derive the source code of any software included in the Service Offerings (except to the extent applicable law doesn’t allow this restriction), (c) access or use the Service Offerings in a way intended to avoid incurring fees or exceeding usage limits or quotas, or (d) resell or sublicense the Service Offerings. You may only use the AWS Marks in accordance with the Trademark Use Guidelines. You will not misrepresent or embellish the relationship between us and you (including by expressing or implying that we support, sponsor, endorse, or contribute to you or your business endeavors). You will not imply any relationship or affiliation between us and you except as expressly permitted by this Agreement.
8.5 Suggestions. If you provide any Suggestions to us or our affiliates, we and our affiliates will be entitled to use the Suggestions without restriction. You hereby irrevocably assign to us all right, title, and interest in and to the Suggestions and agree to provide us any assistance we require to document, perfect, and maintain our rights in the Suggestions.


9.1 General. You will defend, indemnify, and hold harmless us, our affiliates and licensors, and each of their respective employees, officers, directors, and representatives from and against any Losses arising out of or relating to any third-party claim concerning: (a) your or any End Users’ use of the Service Offerings (including any activities under your AWS account and use by your employees and personnel); (b) breach of this Agreement or violation of applicable law by you, End Users or Your Content; or (c) a dispute between you and any End User. You will reimburse us for reasonable attorneys’ fees, as well as our employees’ and contractors’ time and materials spent responding to any third party subpoena or other compulsory legal order or process associated with third party claims described in (a) through (c) above at our then-current hourly rates.

9.2 Intellectual Property.

(a) Subject to the limitations in this Section 9, AWS will defend you and your employees, officers, and directors against any third-party claim alleging that the Services infringe or misappropriate that third party’s intellectual property rights, and will pay the amount of any adverse final judgment or settlement.

(b) Subject to the limitations in this Section 9, you will defend AWS, its affiliates, and their respective employees, officers, and directors against any third-party claim alleging that any of Your Content infringes or misappropriates that third party’s intellectual property rights, and will pay the amount of any adverse final judgment or settlement.

(c) Neither party will have obligations or liability under this Section 9.2 arising from infringement by combinations of the Services or Your Content, as applicable, with any other product, service, software, data, content or method. In addition, AWS will have no obligations or liability arising from your or any End User’s use of the Services after AWS has notified you to discontinue such use. The remedies provided in this Section 9.2 are the sole and exclusive
(d) For any claim covered by Section 9.2(a), AWS will, at its election, either: (i) procure the rights to use that portion of the Services alleged to be infringing; (ii) replace the alleged infringing portion of the Services with a non-infringing alternative; (iii) modify the alleged infringing portion of the Services to make it non-infringing; or (iv) terminate the allegedly infringing portion of the Services or this Agreement.

9.3 Process. The obligations under this Section 9 will apply only if the party seeking defense or indemnity: (a) gives the other party prompt written notice of the claim; (b) permits the other party to control the defense and settlement of the claim; and (c) reasonably cooperates with the other party (at the other party’s expense) in the defense and settlement of the claim. In no event will a party agree to any settlement of any claim that involves any commitment, other than the payment of money, without the written consent of the other party.

10. Disclaimers.

THE SERVICE OFFERINGS ARE PROVIDED “AS IS.” EXCEPT TO THE EXTENT PROHIBITED BY LAW, OR TO THE EXTENT ANY STATUTORY RIGHTS APPLY THAT CANNOT BE EXCLUDED, LIMITED OR WAIVED, WE AND OUR AFFILIATES AND LICENSORS (A) MAKE NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE REGARDING THE SERVICE OFFERINGS OR THE THIRD-PARTY CONTENT, AND (B) DISCLAIM ALL WARRANTIES, INCLUDING ANY IMPLIED OR EXPRESS WARRANTIES (I) OF MERCHANTABILITY, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, OR QUIET ENJOYMENT, (II) ARISING OUT OF ANY COURSE OF DEALING OR USAGE OF TRADE, (III) THAT THE SERVICE OFFERINGS OR THIRD-PARTY CONTENT WILL BE UNINTERRUPTED, ERROR FREE OR FREE OF HARMFUL COMPONENTS, AND (IV) THAT ANY CONTENT WILL BE SECURE OR NOT OTHERWISE LOST OR ALTERED.

11. Limitations of Liability.

WE AND OUR AFFILIATES AND LICENSORS WILL NOT BE LIABLE TO YOU FOR ANY DIRECT, INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES (INCLUDING DAMAGES FOR LOSS OF PROFITS, REVENUES, CUSTOMERS, OPPORTUNITIES, GOODWILL, USE, OR DATA), EVEN IF A PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. FURTHER, NEITHER WE NOR ANY OF OUR AFFILIATES OR LICENSORS WILL BE
RESPONSIBLE FOR ANY COMPENSATION, REIMBURSEMENT, OR DAMAGES ARISING IN CONNECTION WITH: (A) YOUR INABILITY TO USE THE SERVICES, INCLUDING AS A RESULT OF ANY (I) TERMINATION OR SUSPENSION OF THIS AGREEMENT OR YOUR USE OF OR ACCESS TO THE SERVICE OFFERINGS, (II) OUR DISCONTINUATION OF ANY OR ALL OF THE SERVICE OFFERINGS, OR, (III) WITHOUT LIMITING ANY OBLIGATIONS UNDER THE SERVICE LEVEL AGREEMENTS, ANY UNANTICIPATED OR UNSCHEDULED DOWNTIME OF ALL OR A PORTION OF THE SERVICES FOR ANY REASON; (B) THE COST OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES; (C) ANY INVESTMENTS, EXPENDITURES, OR COMMITMENTS BY YOU IN CONNECTION WITH THIS AGREEMENT OR YOUR USE OF OR ACCESS TO THE SERVICE OFFERINGS; OR (D) ANY UNAUTHORIZED ACCESS TO, ALTERATION OF, OR THE DELETION, DESTRUCTION, DAMAGE, LOSS OR FAILURE TO STORE ANY OF YOUR CONTENT OR OTHER DATA. IN ANY CASE, EXCEPT FOR PAYMENT OBLIGATIONS UNDER SECTION 9.2, OUR AND OUR AFFILIATES’ AND LICENSORS’ AGGREGATE LIABILITY UNDER THIS AGREEMENT WILL NOT EXCEED THE AMOUNT YOU ACTUALLY PAY US UNDER THIS AGREEMENT FOR THE SERVICE THAT GAVE RISE TO THE CLAIM DURING THE 12 MONTHS BEFORE THE LIABILITY AROSE. THE LIMITATIONS IN THIS SECTION 11 APPLY ONLY TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW.

12. Modifications to the Agreement.

We may modify this Agreement (including any Policies) at any time by posting a revised version on the AWS Site or by otherwise notifying you in accordance with Section 13.10; provided, however, that we will provide at least 90 days’ advance notice in accordance with Section 13.10 for adverse changes to any Service Level Agreement. Subject to the 90 day advance notice requirement with respect to adverse changes to Service Level Agreements, the modified terms will become effective upon posting or, if we notify you by email, as stated in the email message. By continuing to use the Service Offerings after the effective date of any modifications to this Agreement, you agree to be bound by the modified terms. It is your responsibility to check the AWS Site regularly for modifications to this Agreement. We last modified this Agreement on the date listed at the end of this Agreement.


13.1 Assignment. You will not assign or otherwise transfer this Agreement or any of your rights and obligations under this Agreement, without our prior written consent. Any assignment or transfer in violation of this Section 13.1 will be void. We may assign this Agreement without your consent (a) in connection with a merger, acquisition or sale of all or substantially all of our assets, or (b) to any affiliate or as part of a corporate reorganization; and effective upon such assignment, the assignee is deemed substituted for AWS as a party to this Agreement and AWS is fully released from all of its obligations and duties to perform under this Agreement. Subject to the foregoing, this Agreement will be binding upon, and inure to the benefit of the parties and their respective permitted successors and assigns.
13.2 Entire Agreement. This Agreement incorporates the Policies by reference and is the entire agreement between you and us regarding the subject matter of this Agreement. This Agreement supersedes all prior or contemporaneous representations, understandings, agreements, or communications between you and us, whether written or verbal, regarding the subject matter of this Agreement (but does not supersede prior commitments to purchase Services such as Amazon EC2 Reserved Instances). We will not be bound by, and specifically object to, any term, condition or other provision that is different from or in addition to the provisions of this Agreement (whether or not it would materially alter this Agreement) including for example, any term, condition or other provision (a) submitted by you in any order, receipt, acceptance, confirmation, correspondence or other document, (b) related to any online registration, response to any Request for Bid, Request for Proposal, Request for Information, or other questionnaire, or (c) related to any invoicing process that you submit or require us to complete. If the terms of this document are inconsistent with the terms contained in any Policy, the terms contained in this document will control, except that the Service Terms will control over this document.

13.3 Force Majeure. We and our affiliates will not be liable for any delay or failure to perform any obligation under this Agreement where the delay or failure results from any cause beyond our reasonable control, including acts of God, labor disputes or other industrial disturbances, electrical or power outages, utilities or other telecommunications failures, earthquake, storms or other elements of nature, blockages, embargoes, riots, acts or orders of government, acts of terrorism, or war.


13.5 Disputes. Any dispute or claim relating in any way to your use of the Service Offerings, or to any products or services sold or distributed by AWS will be adjudicated in the Governing Courts, and you consent to exclusive jurisdiction and venue in the Governing Courts; except, if the applicable AWS Contracting Party is Amazon Web Services, Inc., any such dispute will be resolved by binding arbitration as provided in this Section 13.5, rather than in court, except that you may assert claims in small claims court if your claims qualify. The Federal Arbitration Act and federal arbitration law apply to this Agreement. There is no judge or jury in arbitration, and court review of an arbitration award is limited. However, an arbitrator can award on an individual basis the same damages and relief as a court (including injunctive and declaratory relief or statutory damages), and must follow the terms of this Agreement as a court would. To begin an arbitration proceeding, you must send a letter requesting arbitration and describing your claim to our registered agent Corporation Service Company, 300 Deschutes Way.
SW, Suite 304, Tumwater, WA 98501. The arbitration will be conducted by the American Arbitration Association (AAA) under its rules, which are available at www.adr.org or by calling 1-800-778-7879. Payment of filing, administration and arbitrator fees will be governed by the AAA’s rules. We will reimburse those fees for claims totaling less than $10,000 unless the arbitrator determines the claims are frivolous. We will not seek attorneys’ fees and costs in arbitration unless the arbitrator determines the claims are frivolous. You may choose to have the arbitration conducted by telephone, based on written submissions, or at a mutually agreed location. We and you agree that any dispute resolution proceedings will be conducted only on an individual basis and not in a class, consolidated or representative action. If for any reason a claim proceeds in court rather than in arbitration we and you waive any right to a jury trial. Notwithstanding the foregoing we and you both agree that you or we may bring suit in court to enjoin infringement or other misuse of intellectual property rights.

13.6 Trade Compliance. In connection with this Agreement, each party will comply with all applicable import, re-import, sanctions, anti-boycott, export, and re-export control laws and regulations, including all such laws and regulations that apply to a U.S. company, such as the Export Administration Regulations, the International Traffic in Arms Regulations, and economic sanctions programs implemented by the Office of Foreign Assets Control. For clarity, you are solely responsible for compliance related to the manner in which you choose to use the Service Offerings, including your transfer and processing of Your Content, the provision of Your Content to End Users, and the AWS region in which any of the foregoing occur. You represent and warrant that you and your financial institutions, or any party that owns or controls you or your financial institutions, are not subject to sanctions or otherwise designated on any list of prohibited or restricted parties, including but not limited to the lists maintained by the United Nations Security Council, the U.S. Government (e.g., the Specially Designated Nationals List and Foreign Sanctions Evaders List of the U.S. Department of Treasury, and the Entity List of the U.S. Department of Commerce), the European Union or its Member States, or other applicable government authority.

13.7 Independent Contractors; Non-Exclusive Rights. We and you are independent contractors, and this Agreement will not be construed to create a partnership, joint venture, agency, or employment relationship. Neither party, nor any of their respective affiliates, is an agent of the other for any purpose or has the authority to bind the other. Both parties reserve the right (a) to develop or have developed for it products, services, concepts, systems, or techniques that are similar to or compete with the products, services, concepts, systems, or techniques developed or contemplated by the other party, and (b) to assist third party developers or systems integrators who may offer products or services which compete with the other party’s products or services.

13.8 Language. All communications and notices made or given pursuant to this Agreement must be in the English language. If we provide a translation of the English language
version of this Agreement, the English language version of the Agreement will control if there is any conflict.

13.9 Confidentiality and Publicity. You may use AWS Confidential Information only in connection with your use of the Service Offerings as permitted under this Agreement. You will not disclose AWS Confidential Information during the Term or at any time during the 5-year period following the end of the Term. You will take all reasonable measures to avoid disclosure, dissemination or unauthorized use of AWS Confidential Information, including, at a minimum, those measures you take to protect your own confidential information of a similar nature. You will not issue any press release or make any other public communication with respect to this Agreement or your use of the Service Offerings.

13.10 Notice.

(a) To You. We may provide any notice to you under this Agreement by: (i) posting a notice on the AWS Site; or (ii) sending a message to the email address then associated with your account. Notices we provide by posting on the AWS Site will be effective upon posting and notices we provide by email will be effective when we send the email. It is your responsibility to keep your email address current. You will be deemed to have received any email sent to the email address then associated with your account when we send the email, whether or not you actually receive the email.

(b) To Us. To give us notice under this Agreement, you must contact AWS by facsimile transmission or personal delivery, overnight courier or registered or certified mail to the facsimile number or mailing address, as applicable, listed for the applicable AWS Contracting Party in Section 14 below. We may update the facsimile number or address for notices to us by posting a notice on the AWS Site. Notices provided by personal delivery will be effective immediately. Notices provided by facsimile transmission or overnight courier will be effective one business day after they are sent. Notices provided registered or certified mail will be effective three business days after they are sent.

13.11 No Third-Party Beneficiaries. Except as set forth in Section 9, this Agreement does not create any third-party beneficiary rights in any individual or entity that is not a party to this Agreement.
13.12 U.S. Government Rights. The Service Offerings are provided to the U.S. Government as “commercial items,” “commercial computer software,” “commercial computer software documentation,” and “technical data” with the same rights and restrictions generally applicable to the Service Offerings. If you are using the Service Offerings on behalf of the U.S. Government and these terms fail to meet the U.S. Government’s needs or are inconsistent in any respect with federal law, you will immediately discontinue your use of the Service Offerings. The terms “commercial item” “commercial computer software,” “commercial computer software documentation,” and “technical data” are defined in the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation Supplement.

13.13 No Waivers. The failure by us to enforce any provision of this Agreement will not constitute a present or future waiver of such provision nor limit our right to enforce such provision at a later time. All waivers by us must be in writing to be effective.

13.14 Severability. If any portion of this Agreement is held to be invalid or unenforceable, the remaining portions of this Agreement will remain in full force and effect. Any invalid or unenforceable portions will be interpreted to effect and intent of the original portion. If such construction is not possible, the invalid or unenforceable portion will be severed from this Agreement but the rest of the Agreement will remain in full force and effect.


“Acceptable Use Policy” means the policy located at http://aws.amazon.com/aup (and any successor or related locations designated by us), as it may be updated by us from time to time.

“Account Country” is the country associated with your account. If you have provided a valid tax registration number for your account, then your Account Country is the country associated with your tax registration. If you have not provided a valid tax registration, then your Account Country is the country where your billing address is located, except if your credit card account is issued in a different country and your contact address is also in that country, then your Account Country is that different country.

“Account Information” means information about you that you provide to us in connection with the creation or administration of your AWS account. For example, Account Information includes names, usernames, phone numbers, email addresses and billing information associated with your AWS account.
“API” means an application program interface.

“AWS Confidential Information” means all nonpublic information disclosed by us, our affiliates, business partners or our or their respective employees, contractors or agents that is designated as confidential or that, given the nature of the information or circumstances surrounding its disclosure, reasonably should be understood to be confidential. AWS Confidential Information includes: (a) nonpublic information relating to our or our affiliates or business partners’ technology, customers, business plans, promotional and marketing activities, finances and other business affairs; (b) third-party information that we are obligated to keep confidential; and (c) the nature, content and existence of any discussions or negotiations between you and us or our affiliates. AWS Confidential Information does not include any information that: (i) is or becomes publicly available without breach of this Agreement; (ii) can be shown by documentation to have been known to you at the time of your receipt from us; (iii) is received from a third party who did not acquire or disclose the same by a wrongful or tortious act; or (iv) can be shown by documentation to have been independently developed by you without reference to the AWS Confidential Information.

“AWS Content” means Content we or any of our affiliates make available in connection with the Services or on the AWS Site to allow access to and use of the Services, including APIs; WSDLs; Documentation; sample code; software libraries; command line tools; proofs of concept; templates; and other related technology (including any of the foregoing that are provided by our personnel). AWS Content does not include the Services or Third-Party Content.

“AWS Contracting Party” means the party identified in the table below, based on your Account Country. If you change your Account Country to one identified to a different AWS Contracting Party below, you agree that this Agreement is then assigned to the new AWS Contracting Party under Section 13.1 without any further action required by either party.

<table>
<thead>
<tr>
<th>Account Country</th>
<th>AWS Contracting Party</th>
<th>Facsimile</th>
<th>Mailing Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any country within Europe, the Middle East, or Africa</td>
<td>Amazon Web Services EMEA SARL</td>
<td>352 2789 0057</td>
<td>38 Avenue John F. Kennedy, L-1855, Luxembourg</td>
</tr>
<tr>
<td>(“EMEA”)*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Any other country that is not in EMEA</td>
<td>Amazon Web Services, Inc.</td>
<td>206-266-7010</td>
<td>410 Terry Avenue North, Seattle, WA 98109-5210 U.S.A.</td>
</tr>
</tbody>
</table>

*See https://aws.amazon.com/legal/aws-emea-countries for a full list of EMEA countries.
“AWS Marks” means any trademarks, service marks, service or trade names, logos, and other designations of AWS and its affiliates that we may make available to you in connection with this Agreement.

“AWS Site” means http://aws.amazon.com (and any successor or related site designated by us), as may be updated by us from time to time.

“Content” means software (including machine images), data, text, audio, video or images.

“Documentation” means the user guides and admin guides (in each case exclusive of content referenced via hyperlink) for the Services located at http://aws.amazon.com/documentation (and any successor or related locations designated by us), as such user guides and admin guides may be updated by AWS from time to time.

“End User” means any individual or entity that directly or indirectly through another user: (a) accesses or uses Your Content; or (b) otherwise accesses or uses the Service Offerings under your account. The term “End User” does not include individuals or entities when they are accessing or using the Services or any Content under their own AWS account, rather than under your account.

“Governing Laws” and “Governing Courts” mean, for each AWS Contracting Party, the laws and courts set forth in the following table:

<table>
<thead>
<tr>
<th>AWS Contracting Party</th>
<th>Governing Laws</th>
<th>Governing Courts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon Web Services EMEA SARL</td>
<td>The laws of the Grand Duchy of Luxembourg</td>
<td>The courts of the district of Luxembourg City</td>
</tr>
<tr>
<td>Amazon Web Services, Inc.</td>
<td>The laws of the State of Washington</td>
<td>The state or Federal courts in King County, Washington</td>
</tr>
</tbody>
</table>

“Indirect Taxes” means applicable taxes and duties, including, without limitation, VAT, Service Tax, GST, excise taxes, sales and transactions taxes, and gross receipts tax.
“Losses” means any claims, damages, losses, liabilities, costs, and expenses (including reasonable attorneys’ fees).

“Policies” means the Acceptable Use Policy, Privacy Policy, the Site Terms, the Service Terms, the Trademark Use Guidelines, all restrictions described in the AWS Content and on the AWS Site, and any other policy or terms referenced in or incorporated into this Agreement, but does not include whitepapers or other marketing materials referenced on the AWS Site.

“Privacy Policy” means the privacy policy located at http://aws.amazon.com/privacy (and any successor or related locations designated by us), as it may be updated by us from time to time.

“Service” means each of the services made available by us or our affiliates, including those web services described in the Service Terms. Services do not include Third-Party Content.

“Service Attributes” means Service usage data related to your account, such as resource identifiers, metadata tags, security and access roles, rules, usage policies, permissions, usage statistics and analytics.

“Service Level Agreement” means all service level agreements that we offer with respect to the Services and post on the AWS Site, as they may be updated by us from time to time. The service level agreements we offer with respect to the Services are located at https://aws.amazon.com/legal/service-level-agreements/ (and any successor or related locations designated by AWS), as may be updated by AWS from time to time.

“Service Offerings” means the Services (including associated APIs), the AWS Content, the AWS Marks, and any other product or service provided by us under this Agreement. Service Offerings do not include Third-Party Content.

“Service Terms” means the rights and restrictions for particular Services located at http://aws.amazon.com/serviceterms (and any successor or related locations designated by us), as may be updated by us from time to time.
“Site Terms” means the terms of use located at http://aws.amazon.com/terms/ (and any successor or related locations designated by us), as may be updated by us from time to time.

“Suggestions” means all suggested improvements to the Service Offerings that you provide to us.

“Term” means the term of this Agreement described in Section 7.1.

“Termination Date” means the effective date of termination provided in accordance with Section 7, in a notice from one party to the other.

“Third-Party Content” means Content made available to you by any third party on the AWS Site or in conjunction with the Services.

“Trademark Use Guidelines” means the guidelines and trademark license located at http://aws.amazon.com/trademark-guidelines/ (and any successor or related locations designated by us), as they may be updated by us from time to time.

“Your Content” means Content that you or any End User transfers to us for processing, storage or hosting by the Services in connection with your AWS account and any computational results that you or any End User derive from the foregoing through their use of the Services. For example, Your Content includes Content that you or any End User stores in Amazon Simple Storage Service. Your Content does not include Account Information.
### Subsidiaries of Lemonade, Inc.

<table>
<thead>
<tr>
<th>Name</th>
<th>State or Other Jurisdiction of Incorporation or Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lemonade Agency B.V.</td>
<td>Netherlands</td>
</tr>
<tr>
<td>Lemonade B.V.</td>
<td>Netherlands</td>
</tr>
<tr>
<td>Lemonade Insurance Agency, LLC</td>
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<td>Netherlands</td>
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<tr>
<td>Lemonade Life Insurance Agency, LLC</td>
<td>Delaware</td>
</tr>
<tr>
<td>Lemonade Ltd.</td>
<td>Israel</td>
</tr>
</tbody>
</table>
Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated March 20, 2020, in the Registration Statement (Form S-1) and related Prospectus of Lemonade, Inc. for the registration of shares of its common stock.

/s/ Ernst & Young LLP

New York, New York
June 8, 2020