

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2020**

or

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

For the transition period from _____ to _____

Commission file number: **001-39432**

Rocket Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware

84-4946470

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

1050 Woodward Avenue, Detroit, MI

48226

(Address of principal executive offices)

(Zip Code)

(313) 373-7990

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.00001 per share	RKT	New York Stock Exchange

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of August 27, 2020, 100,372,565 shares of the registrant's Class A common stock, \$0.00001 par value, and 1,884,079,483 shares of the registrant's Class D common stock, \$0.00001 par value, were outstanding.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

**Rocket Companies
Condensed Combined Balance Sheets**

(Dollars in Thousands)

	June 30, 2020	December 31, 2019
	(unaudited)	
Assets		
Cash and cash equivalents.....	\$ 1,724,035	\$ 1,350,972
Restricted cash.....	78,367	61,154
Mortgage loans held for sale, at fair value.....	17,628,535	13,275,735
Interest rate lock commitments (“IRLCs”), at fair value.....	2,393,764	508,135
Mortgage servicing rights (“MSRs”), at fair value.....	2,289,209	2,874,972
MSRs collateral for financing liability, at fair value.....	59,926	205,108
Notes receivable and due from affiliates.....	17,028	89,946
Property and equipment, net of accumulated depreciation and amortization of \$459,474 and \$428,540, respectively.....	192,173	176,446
Lease right of use assets.....	256,183	278,921
Forward commitments, at fair value.....	6,328	3,838
Loans subject to repurchase right from Ginnie Mae.....	3,496,120	752,442
Other assets.....	714,789	499,658
Total assets.....	\$ 28,856,457	\$ 20,077,327
Liabilities and equity		
Liabilities:		
Funding facilities.....	\$ 15,685,860	\$ 12,041,878
Other financing facilities and debt:		
Lines of credit.....	160,000	165,000
Senior Notes, net.....	2,235,721	2,233,791
Early buy out facility.....	241,752	196,247
MSRs financing liability, at fair value.....	58,926	189,987
Accounts payable.....	219,650	157,295
Lease liabilities.....	288,866	314,353
Forward commitments, at fair value.....	351,261	43,794
Investor reserves.....	63,012	54,387
Notes payable and due to affiliates.....	61,192	35,082
Loans subject to repurchase right from Ginnie Mae.....	3,496,120	752,442
Other liabilities.....	457,920	390,149
Total liabilities.....	23,320,280	16,574,405
Equity:		
Net parent investment.....	5,527,173	3,498,065
Accumulated other comprehensive income (loss).....	5,929	(151)
Non-controlling interest.....	3,075	5,008
Total equity.....	5,536,177	3,502,922
Total liabilities and equity.....	\$ 28,856,457	\$ 20,077,327

See accompanying Notes to the Unaudited Condensed Combined Financial Statements.

Rocket Companies
Condensed Combined Statements of Income and Comprehensive Income
(Dollars in Thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Income:				
Revenue				
Gain on sale of loans:				
Gain on sale of loans excluding fair value of MSRs, net	\$ 4,083,661	\$ 666,796	\$ 5,370,351	\$ 1,097,370
Fair value of originated MSRs	669,923	445,663	1,205,342	742,335
Gain on sale of loans, net	4,753,584	1,112,459	6,575,693	1,839,705
Loan servicing loss:				
Servicing fee income	249,842	240,255	506,935	464,861
Change in fair value of MSRs	(552,843)	(598,262)	(1,544,095)	(1,073,963)
Loan servicing loss, net	(303,001)	(358,007)	(1,037,160)	(609,102)
Interest income (expense):				
Interest income	78,039	61,585	152,081	108,637
Interest expense on funding facilities	(53,756)	(32,430)	(93,215)	(56,043)
Interest income, net	24,283	29,155	58,866	52,594
Other income	562,265	153,938	806,567	286,120
Total revenue, net	5,037,131	937,545	6,403,966	1,569,317
Expenses				
Salaries, commissions and team member benefits	853,750	486,768	1,537,200	944,546
General and administrative expenses	288,494	165,343	482,060	331,182
Marketing and advertising expenses	202,198	227,764	420,190	436,661
Depreciation and amortization	16,189	17,687	32,304	35,792
Interest and amortization expense on non-funding debt	33,168	33,086	66,275	66,168
Other expenses	161,452	61,156	286,041	109,576
Total expenses	1,555,251	991,804	2,824,070	1,923,925
Income (loss) before income taxes	3,481,880	(54,259)	3,579,896	(354,608)
(Provision for) benefit from income taxes	(20,669)	283	(21,405)	1,287
Net income (loss)	3,461,211	(53,976)	3,558,491	(353,321)
Net loss attributable to non-controlling interest	436	325	877	652
Net income (loss) attributable to Rocket Companies	<u>\$ 3,461,647</u>	<u>\$ (53,651)</u>	<u>\$ 3,559,368</u>	<u>\$ (352,669)</u>
Comprehensive income:				
Net income (loss) attributable to Rocket Companies	\$ 3,461,647	\$ (53,651)	\$ 3,559,368	\$ (352,669)
Other comprehensive income (loss)	588	444	(851)	598
Unrealized gain on investment securities	7,087	—	7,087	—
Comprehensive income (loss) attributable to Rocket Companies	<u>\$ 3,469,322</u>	<u>\$ (53,207)</u>	<u>\$ 3,565,604</u>	<u>\$ (352,071)</u>

See accompanying Notes to the Unaudited Condensed Combined Financial Statements.

Rocket Companies
Condensed Combined Statements of Changes in Equity
(Dollars in Thousands)
(Unaudited)

	Net Parent Investment	Accumulated Other Comprehensive (Loss) Income	Total Non- controlling Interest	Total Equity
Balance, December 31, 2018.....	\$ 2,775,594	\$ (868)	\$ 6,170	\$ 2,780,896
Net loss.....	(299,018)	—	(327)	(299,345)
Other comprehensive income.....	—	154	35	189
Net transfers to Parent.....	(212,777)	—	—	(212,777)
Stock based compensation, net.....	8,488	—	18	8,506
Balance, March 31 2019.....	<u>\$ 2,272,287</u>	<u>\$ (714)</u>	<u>\$ 5,896</u>	<u>\$ 2,277,469</u>
Net loss.....	(53,651)	—	(325)	(53,976)
Other comprehensive income.....	—	444	98	542
Stock based compensation, net.....	8,450	—	9	8,459
Balance, June 30, 2019.....	<u><u>\$ 2,227,086</u></u>	<u><u>\$ (270)</u></u>	<u><u>\$ 5,678</u></u>	<u><u>\$ 2,232,494</u></u>
Balance, December 31, 2019.....	\$ 3,498,065	\$ (151)	\$ 5,008	\$ 3,502,922
Net income (loss).....	97,721	—	(441)	97,280
Other comprehensive loss.....	—	(1,439)	(320)	(1,759)
Net transfers from Parent.....	21,918	—	—	21,918
Stock based compensation, net.....	29,049	—	9	29,058
Balance, March 31 2020.....	<u>\$ 3,646,753</u>	<u>\$ (1,590)</u>	<u>\$ 4,256</u>	<u>\$ 3,649,419</u>
Net income (loss).....	3,461,647	—	(436)	3,461,211
Other comprehensive income.....	—	588	131	719
Net transfers to Parent.....	(1,612,629)	—	—	(1,612,629)
Stock based compensation, net.....	31,246	—	8	31,254
Other equity adjustment.....	156	(156)	—	—
Unrealized gain on investment securities.....	—	7,087	—	7,087
Non-controlling interest attributed to dissolution.....	—	—	(884)	(884)
Balance, June 30, 2020.....	<u><u>\$ 5,527,173</u></u>	<u><u>\$ 5,929</u></u>	<u><u>\$ 3,075</u></u>	<u><u>\$ 5,536,177</u></u>

See accompanying Notes to the Unaudited Condensed Combined Financial Statements.

Rocket Companies
Condensed Combined Statements of Cash Flows
(Dollars in Thousands)
(Unaudited)

	Six Months Ended June 30,	
	2020	2019
Operating activities		
Net income (loss)	\$ 3,558,491	\$ (353,321)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	32,304	35,792
Change in non-controlling interest	(884)	—
Origination of mortgage servicing rights	(1,205,342)	(742,335)
Change in fair value of MSR's	1,544,095	1,073,963
Gain on sale of loans excluding fair value of MSR's, net	(5,370,351)	(1,097,370)
Disbursements of mortgage loans held for sale	(122,056,424)	(53,244,712)
Proceeds from sale of loans held for sale	121,563,404	51,510,408
Stock-based compensation expense	60,312	16,965
Change in assets and liabilities:		
Due from affiliates	12,403	(71,188)
Other assets	(218,711)	(137,009)
Accounts payable	62,354	69,141
Due to affiliates	26,084	87,179
Premium recapture and indemnification losses paid	(738)	(1,049)
Other liabilities	69,703	(7,163)
Total adjustments	(5,481,791)	(2,507,378)
Net cash used in operating activities	(1,923,300)	(2,860,699)
Investing activities		
Proceeds from sale of MSR's	185,768	—
Net decrease (increase) in notes receivable from affiliates	60,516	(892)
Decrease (increase) in mortgage loans held for investment	5,130	(9,347)
Net increase in investment securities	(2,500)	—
Purchase and other additions of property and equipment, net of disposals	(42,221)	(18,510)
Net cash provided by (used in) investing activities	206,693	(28,749)
Financing activities		
Net borrowings on funding facilities	3,643,982	2,571,823
Net payments on lines of credit	(5,000)	—
Net borrowings on early buy out facility	45,504	84,957
Net borrowings notes payable from unconsolidated affiliates	27	4,000
Proceeds from MSR's financing liability	14,121	—
Net transfers to Parent	(1,590,711)	(212,777)
Net cash provided by financing activities	2,107,923	2,448,003
Effects of exchange rate changes on cash and cash equivalents	(1,040)	732
Net increase (decrease) in cash and cash equivalents and restricted cash	390,276	(440,713)
Cash and cash equivalents and restricted cash, beginning of period	1,412,126	1,101,167
Cash and cash equivalents and restricted cash, end of period	\$ 1,802,402	\$ 660,454
Non-cash activities		
Loans transferred to other real estate owned	\$ 688	\$ 2,039
Supplemental disclosures		
Cash paid for interest on related party borrowings	\$ 814	\$ 69

See accompanying Notes to the Unaudited Condensed Combined Financial Statements.

Rocket Companies

Notes to Unaudited Condensed Combined Financial Statements

(Dollars in Thousands, Except Shares and Per Share)
(Unaudited)

1. Business, Basis of Presentation, and Accounting Policies

The accompanying condensed combined financial statements include all of the assets, liabilities and results of operations of twelve subsidiaries of Rock Holdings Inc. (“Rock Holdings”, or “RHI”), which are Quicken Loans, LLC, EFB Holdings Inc. (“Edison Financial”), Lendesk Canada Holdings Inc., LMB HoldCo LLC (“Core Digital Media”), RCRA Holdings LLC (“Rock Connections” and “Rocket Auto”), RockTech Canada Inc., Rock Central LLC, Rocket Homes Real Estate LLC (“Rocket Homes”), RockLoans Holdings LLC (“Rocket Loans”), Amrock Inc. (“Amrock”), Nexsys Technologies LLC (“Nexsys”), and Woodward Capital Management LLC, (collectively, the “Combined Businesses”, “Rocket Companies”, “we”, “us”, “our”, or the “Company”).

As used herein, “Rocket Mortgage” refers to either the Rocket Mortgage brand or platform, or the Quicken Loans business, as the context allows

In April 2020 Quicken Loans Inc. converted its corporate structure to an LLC and changed its name from Quicken Loans Inc. to Quicken Loans, LLC.

In July 2020 Amrock Inc. converted its corporate structure to an LLC and changed its name from Amrock Inc. to Amrock, LLC.

Basis of Presentation

The Combined Businesses have historically operated as part of RHI and not as a stand alone entity. The condensed combined financial statements represent the results of operations, financial position, cash flows and changes in equity of the subsidiaries of RHI mentioned above, prepared on a stand-alone basis and have been derived from the consolidated financial statements and accounting records of RHI. All revenues and expenses as well as assets and liabilities that are either legally attributable to us or directly associated with our business activities are included in the condensed combined financial statements. Net parent investment represents RHI’s interest in the recorded net assets of the Company. All significant transactions between the Company and RHI have been included in the accompanying condensed combined financial statements and are reflected in the accompanying Condensed Combined Statements of Changes in Equity as “Net transfers to/from parent” and in the accompanying Condensed Combined Balance Sheets within “Net parent investment.”

All significant intercompany transactions and accounts between the businesses comprising the Company have been eliminated in the accompanying condensed combined financial statements. Our condensed combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

All transactions and accounts between RHI and the Company have a history of settlement or are expected to be settled for cash, and are reflected as related party transactions. For further details of the Company’s related party transactions refer to *Note 6, Transactions with Related Parties*.

The condensed combined financial statements may not include all of the expenses that would have been incurred had we been a stand-alone company during the periods presented and may not reflect our condensed combined results of operations, financial position and cash flows had we been a stand-alone company during the periods presented. The amount of actual expenses that would have been incurred if we had operated as a stand alone company would depend on a number of factors, including our chosen organizational structure. We also may incur additional costs associated with being a stand-alone, publicly listed company that were not included in the expense allocations and, therefore, would result in additional costs that are not reflected in our historical statements of income and comprehensive income, balance sheets and cash flows.

Our condensed combined financial statements are unaudited and presented in U.S. dollars. They have been prepared in accordance with U.S. GAAP pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. Our Condensed Combined Balance Sheet as of December 31, 2019 has been derived from our audited combined financial statements at that date. Our condensed combined financial statements should be read in conjunction with our combined financial statements and notes thereto for the year ended December 31, 2019, which include a complete set of footnote disclosures, including our significant accounting policies. We believe the assumptions underlying the condensed combined financial statements, including the assumptions regarding allocation of expenses from RHI are reasonable. The executive management compensation expense has been allocated based on time incurred for services provided to the Combined Businesses. Total costs allocated to us for these services were \$44,997 and \$11,231 for the three months ended June 30, 2020 and 2019, and \$86,734 and \$21,930 for the six months ended June 30, 2020 and 2019, respectively, and were included in salaries, commissions and team member benefits in our Condensed Combined Statements of Income and Comprehensive Income. In our opinion, these condensed combined financial statements include all normal and recurring adjustments considered necessary for a fair statement of our results of operations, financial position and cash flows for the periods presented. However, our results of operations for any interim period are not necessarily indicative of the results that may be expected for a full fiscal year or for any other future period.

Management Estimates

The preparation of condensed combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the condensed combined financial statements and the reported amounts of revenues and expenses during the reporting period. Although management is not currently aware of any factors that would significantly change its estimates and assumptions, actual results may differ from these estimates.

Subsequent Events

In preparing these condensed combined financial statements, the Company evaluated events and transactions for potential recognition or disclosure through the date these condensed combined financial statements were issued. Refer to *Note 5, Borrowings* for disclosures on changes to the Company’s debt agreements that occurred subsequent to June 30, 2020, which includes additional details on the newly executed \$950,000 syndicate revolving credit agreement.

In July 2020, the Company sold MSRs relating to certain single-family mortgage loans with an aggregate unpaid principal balance of approximately \$20,000,000 as of June 30, 2020. The sale represented approximately 5.3% of the Company’s total single-family mortgage servicing portfolio as of June 30, 2020.

At the time of issuance of this report, the direct and indirect impacts that the COVID-19 pandemic and recent market volatility may have on the Company’s financial statements are uncertain. The Company cannot reasonably estimate the magnitude of the impact these events may ultimately have on its results of operations, liquidity or financial position. However, management of the Company is unaware of any known adverse material risk or event that should be recognized in the financial statements at this time.

IPO and Reorganization

On August 10, 2020, Rocket Companies, Inc. completed the initial public offering of 100,000,000 shares of its Class A common stock, \$0.00001 par value per share, at an offering price of \$18.00 per share. Rocket Companies, Inc. received net proceeds from the IPO of approximately \$1,760,000 after deducting underwriting discounts and commissions, all of which was used to purchase 100,000,000 non-voting membership units of RKT Holdings, LLC (the “Holdings units”) and shares of Class D common stock from RHI. Rocket Companies, Inc. is a publicly traded company whose Class A common stock is traded on the New York Stock Exchange under the ticker symbol “RKT”. Prior to the completion of the offering, RHI and certain RHI subsidiaries consummated an internal reorganization.

As a result of the IPO and the reorganization:

- Rocket Companies, Inc. is the sole managing member of RKT Holdings, LLC (“Holdings”), which owns direct interests in (a) Rocket Mortgage and (b) various other former direct subsidiaries of RHI.

- Rocket Companies, Inc. is a holding company which has no material assets other than its ownership of Holdings and its indirect interests in the subsidiaries of Holdings and has no independent means of generating revenue or cash flow.
- Dan Gilbert, RHI, and Rocket Companies, Inc. are members of Holdings.
- No shares of Class B common stock and no shares of Class C common stock were outstanding at the completion of the offering.
- Holdings is treated as a partnership for U.S. federal income tax purposes and, as such, is itself generally not subject to U.S. federal income tax under current U.S. tax laws. Each member of Holdings will be required to take into account for U.S. federal income tax purposes its distributive share of the items of income, gain, loss and deduction of Holdings.
- 1,883,279,483 shares of Rocket Companies, Inc. Class D common stock, 100,372,565 shares of Rocket Companies, Inc. Class A common stock, and 1,983,652,048 Holdings Units were outstanding. An additional 16,729,253 shares of Rocket Companies, Inc. Class A common stock were reserved for equity-based awards.
- RHI owns (i) 1,882,177,661 Holdings Units, collectively representing approximately 95% of the economic interest in Holdings and (ii) 1,882,177,661 shares of Rocket Companies, Inc. Class D common stock, collectively representing 79% of the combined voting power of Rocket Companies, Inc. common stock.
- Dan Gilbert owns (i) 1,101,822 Holdings Units, collectively representing 0.06% of the economic interest in Holdings and (ii) 28,334 shares of Rocket Companies, Inc. Class A common stock and 1,101,822 shares of Rocket Companies, Inc. Class D common stock, collectively representing approximately 2% of the combined voting power of Rocket Companies, Inc. common stock.
- Gilbert Affiliates own 344,231 shares of Rocket Companies, Inc. Class A common stock, collectively representing approximately 0.06% of the combined voting power of Rocket Companies, Inc. common stock.
- The public stockholders (i) own 100,000,000 shares of Class A common stock, which represent approximately 19% of the combined voting power of Rocket Companies, Inc. common stock, and (ii) through Rocket Companies, Inc.'s ownership of Holdings units, indirectly hold approximately 5% of the economic interest in Holdings and its subsidiaries.
- The financial results of Holdings and its subsidiaries will be consolidated with Rocket Companies, Inc., and approximately 95% of the consolidated net earnings (loss) and net assets will be allocated to the non-controlling interest to reflect the entitlement of RHI and Dan Gilbert to a portion of the consolidated net earnings (loss).

Stock-Based Compensation

In connection with this offering, equity-based awards were issued under the Rocket Companies, Inc. 2020 Omnibus Incentive Plan including 16,729,253 restricted stock units and stock options to purchase 26,373,361 shares of our Class A common stock at an exercise price equal to the price to the public in the initial public offering. RSUs vest over one to three years. Stock options vest one third on the first anniversary, and then ratably on a monthly basis for the next twenty-four months.

Distributions

Subsequent to June 30, 2020, cash distributions were made to RHI in the total amount of \$2,260,000. The following unaudited pro forma balance sheet line items as of June 30, 2020 reflect these distributions as if such distributions were declared and paid on June 30, 2020.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET LINE ITEMS
AS OF JUNE 30, 2020

	Rocket Companies As Reported	Distribution Adjustments	Rocket Companies Pro Forma
Cash and cash equivalents	\$ 1,724,035	\$ (749,549) (1)	\$ 974,486
Total assets	\$ 28,856,457	\$ (749,549)	\$ 28,106,908
Other liabilities	\$ 457,920	\$ 1,510,451 (1)	\$ 1,968,371
Total liabilities	\$ 23,320,280	\$ 1,510,451	\$ 24,830,731
Net parent investment	\$ 5,527,173	\$ (2,260,000) (1)	\$ 3,267,173
Total equity	\$ 5,536,177	\$ (2,260,000)	\$ 3,276,177

(1) The Company paid capital distributions to RHI subsequent to June 30, 2020. The \$2,260,000 distribution was fully funded through the use of cash on hand as of June 30, 2020 and cash flows generated from operations between July 1, 2020 and the initial public offering. For purposes of the unaudited pro forma condensed combined balance sheet, the payment of the distributions is reflected as a reduction to net parent investment of \$2,260,000, a reduction to cash and cash equivalents of \$749,549, and the recognition of a non-interest bearing payable of \$1,510,451. The pro forma cash and cash equivalents balance after giving effect to this adjustment represents the Company's estimated ending cash and cash equivalents balance immediately prior to the reorganization transactions and initial public offering.

Tax Receivable Agreement

The purchase of Holdings Units (along with corresponding shares of our Class D common stock) from RHI using the net proceeds from the offering, future exchanges by RHI or Dan Gilbert (or its transferees or other assignees) of Holdings Units and corresponding shares of Class D common stock or Class C common stock for shares of our Class B common stock or Class A common stock, and future purchases of Holdings Units (along with the corresponding shares of our Class D common stock or Class C common stock) from RHI or Dan Gilbert (or its transferees or other assignees) are expected to produce favorable tax attributes for us. These tax attributes would not be available to us in the absence of those transactions. In connection with the reorganization transactions, Rocket Companies, Inc. entered into a tax receivable agreement with RHI and Dan Gilbert that will obligate us to make payments to RHI and Dan Gilbert generally equal to 90% of the applicable cash savings that we actually realize as a result of these tax attributes and tax attributes resulting from payments made under the tax receivable agreement. We will retain the benefit of the remaining 10% of these tax savings. There is a possibility that under certain circumstances not all of the 90% of the applicable cash savings will be paid to the selling or exchanging holder of Holdings Units at the time described above. If we determine that such circumstances apply and all or a portion of such applicable tax savings is in doubt, we will pay to the holders of such Holdings Units the amount attributable to the portion of the applicable tax savings that we determine is not in doubt and pay the remainder at such time as we reasonably determine the actual tax savings or that the amount is no longer in doubt. Rocket Companies, Inc. recorded amounts payable pursuant to the Tax Receivable Agreement to RHI of approximately \$512,000 at August 10, 2020.

Acquisition Agreement

On August 5, 2020, Rocket Companies, Inc. entered into an acquisition agreement with RHI and its direct subsidiary Amrock Holdings Inc. pursuant to which we acquired Amrock Title Insurance Company ("ATI"), a title insurance underwriting business, for total aggregate consideration of \$14,400 that consisted of 800,000 Holdings Units and shares of Rocket Companies, Inc. Class D common stock valued at the price to the public in this offering of \$18.00 per share (the number of shares issued equals the purchase price divided by the price to public in our initial public offering). ATI's net income for the year ended December 31, 2019 was \$4,700. The ATI acquisition closed on August 14, 2020, and the Company issued the 800,000 Class D and Holding Units to RHI. The acquisition will be accounted for as a common control transaction.

Revenue Recognition

The following revenue streams fall within the scope of ASC Topic 606—Revenue from Contracts with Customers and are disaggregated hereunder:

Core Digital Media lead generation revenue—Online consumer acquisition revenue, net of intercompany eliminations, were \$5,504 and \$11,794, for the three months ended June 30, 2020 and 2019, respectively, and \$13,064 and \$21,291, for the six months ended June 30, 2020 and 2019, respectively.

Professional service fees—Professional service fee revenues were \$1,920 and \$2,283, for the three months ended June 30, 2020 and 2019, and \$3,755 and \$3,887, for the six months ended June 30, 2020 and 2019, respectively, and were rendered entirely to related parties.

Rocket Homes real estate network referral fees—Real estate network referral fees were \$11,837 and \$11,400, for the three months ended June 30, 2020 and 2019, and \$19,825 and \$18,183, for the six months ended June 30, 2020 and 2019, respectively.

Rock Connections contact center revenue—The Company recognizes contact center revenue for communication services including client support and sales. Consideration received includes a fixed base fee and/or a variable contingent fee. The fixed base fee is recognized ratably over the period of performance, as the performance obligation is considered to be satisfied equally throughout the service period. The variable contingent fee related to car sales is constrained until the sale of the car is completed. Contact center revenue were \$5,816 and \$8,756, for the three months ended June 30, 2020 and 2019, and \$13,157 and \$13,245, for the six months ended June 30, 2020 and 2019, respectively.

Amrock closing fees—Closing fees were \$106,038 and \$40,060, for the three months ended June 30, 2020 and 2019, and \$179,525 and \$73,323, for the six months ended June 30, 2020 and 2019, respectively.

Amrock appraisal revenue, net—Appraisal revenue, net were \$20,781 and \$18,131, for the three months ended June 30, 2020 and 2019, and \$38,399 and \$36,183, for the six months ended June 30, 2020 and 2019, respectively.

Cash, Cash Equivalents and Restricted Cash

Restricted cash as of June 30, 2020 and 2019 consisted of cash on deposit for a repurchase facility and client application deposits, title premiums collected from insureds that are due to the underwritten insurance company and a \$25,000 bond.

	June 30, 2020	
	2020	2019
Cash and cash equivalents.....	\$ 1,724,035	\$ 608,622
Restricted cash.....	78,367	51,832
Total cash, cash equivalents, and restricted cash in the statement of cash flows.....	<u>\$ 1,802,402</u>	<u>\$ 660,454</u>

Loans subject to repurchase right from Ginnie Mae

For certain loans sold to Ginnie Mae, the Company as the servicer has the unilateral right to repurchase any individual loan in a Ginnie Mae securitization pool if that loan meets defined criteria, including being delinquent more than 90 days. Once the Company has the unilateral right to repurchase the delinquent loan, the Company has effectively regained control over the loan and must re-recognize the loan on the Condensed Combined Balance Sheet and establish a corresponding finance liability regardless of the Company's intention to repurchase the loan.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued Accounting Standard Update (“ASU”) No. 2016-13, “*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*,” which introduced an expected credit loss model for the impairment of financial assets, measured at amortized cost. The model replaces the probable, incurred loss model for those assets and broadens the information an entity must consider in developing its expected credit loss estimate for assets measured at amortized cost. On January 1, 2020, the Company adopted ASU No. 2016-13, *Financial Instruments*—

Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and subsequent amendments to the initial guidance under ASU 2018-19, ASU 2019-04 and ASU 2019-05 (collectively, “Topic 326”) with no material impact to our combined financial position, results of operations or cash flows.

Based upon management’s scoping analysis, the Company determined that money market funds, notes, other receivables, and Ginnie Mae early buyout loans are within the scope of ASU 2016-13. For the Ginnie Mae early buyout loans, the Company determined that the guarantee from the Federal Housing Administration (“FHA”) or Veterans Affairs (“VA”) limits the Company’s exposure to potential credit-related losses to an immaterial amount. For other assets, primarily money market funds, the Company determined that these are short-term in nature (less than one year) and of high credit quality, and the estimated credit-related losses over the life of these receivables are also immaterial. For each of the aforementioned financial instruments carried at amortized cost, the Company enhanced its processes to consider and include the requirements of ASU 2016-13, as applicable, into the determination of credit-related losses.

In March 2020, the FASB issued ASU No. 2020-03, *Codification Improvements to Financial Instruments* (“ASU 2020-03”). ASU 2020-03 improves and clarifies various financial instruments topics to increase shareholder awareness and make the standards easier to understand and apply by eliminating inconsistencies and providing clarifications. The Company adopted ASU 2020-03 upon issuance, with no material effect on our combined financial position, results of operations or cash flows.

Accounting Standards Issued but Not Yet Adopted

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendments to Topic 740 include the removal of certain exceptions to the general principles of ASC 740 in such areas as intraperiod tax allocation, year to date losses in interim periods and deferred tax liabilities related to outside basis differences. Amendments also include simplification in other areas such as interim recognition of enactment of tax laws or rate changes and accounting for a franchise tax (or similar tax) that is partially based on income. This standard will be effective for the Company on January 1, 2021. Early adoption is permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. If an entity chooses to early adopt, it must adopt all changes as a result of the ASU. The Company is currently evaluating the potential impact that the adoption of this ASU will have on the combined financial statements and related disclosures.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. Subject to meeting certain criteria, the new guidance provides optional expedients and exceptions to applying contract modification accounting under existing U.S. GAAP, to address the expected phase out of the London Inter-bank Offered Rate (“LIBOR”) by the end of 2021. This guidance is effective upon issuance and allows application to contract changes as early as January 1, 2020. The Company is in the process of reviewing its funding facilities and financing facilities that utilize LIBOR as the reference rate and is currently evaluating the potential impact that the adoption of this ASU will have on the combined financial statements and related disclosures.

2. Fair Value Measurements

Fair value is the price that would be received if an asset were sold or the price that would be paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. Required disclosures include classification of fair value measurements within a three-level hierarchy (Level 1, Level 2, and Level 3). Classification of a fair value measurement within the hierarchy is dependent on the classification and significance of the inputs used to determine the fair value measurement. Observable inputs are those that are observed, implied from, or corroborated with externally available market information. Unobservable inputs represent the Company’s estimates of market participants’ assumptions.

Fair value measurements are classified in the following manner:

Level 1—Valuation is based on quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2—Valuation is based on either observable prices for identical assets or liabilities in inactive markets, observable prices for similar assets or liabilities, or other inputs that are derived directly from, or through correlation to, observable market data at the measurement date.

Level 3—Valuation is based on the Company’s internal models using assumptions at the measurement date that a market participant would use.

In determining fair value measurement, the Company uses observable inputs whenever possible. The level of a fair value measurement within the hierarchy is dependent on the lowest level of input that has a significant impact on the measurement as a whole. If quoted market prices are available at the measurement date or are available for similar instruments, such prices are used in the measurements. If observable market data is not available at the measurement date, judgment is required to measure fair value.

The following is a description of measurement techniques for items recorded at fair value on a recurring basis. There were no material items recorded at fair value on a nonrecurring basis as of June 30, 2020 or December 31, 2019.

Mortgage loans held for sale: Loans held for sale that trade in active secondary markets are valued using Level 2 measurements derived from observable market data, including market prices of securities backed by similar mortgage loans adjusted for certain factors to approximate the fair value of a whole mortgage loan, including the value attributable to mortgage servicing and credit risk. Loans held for sale for which there is little to no observable trading activity of similar instruments are valued using Level 3 measurements based upon dealer price quotes.

IRLCs: The fair value of IRLCs is based on current market prices of securities backed by similar mortgage loans (as determined above under mortgage loans held for sale), net of costs to close the loans, subject to the estimated loan funding probability, or “pull-through factor”. Given the significant and unobservable nature of the pull-through factor, IRLCs are classified as Level 3.

MSRs: The fair value of MSRs (including MSRs collateral for financing liability and MSRs financing liability) is determined using a valuation model that calculates the present value of estimated net future cash flows. The model includes estimates of prepayment speeds, discount rate, cost to service, float earnings, contractual servicing fee income, and ancillary income among others. These fair value measurements are classified as Level 3.

Forward commitments: The Company’s forward commitments are valued based on quoted prices for similar assets in an active market with inputs that are observable and are classified within Level 2 of the valuation hierarchy.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The table below shows a summary of financial statement items that are measured at estimated fair value on a recurring basis, including assets measured under the fair value option. There were no material transfers of assets or liabilities recorded at fair value on a recurring basis between Levels 1, 2 or 3 during the six months ended June 30, 2020 or the year ended December 31, 2019.

	Level 1	Level 2	Level 3	Total
Balance at June 30, 2020				
Assets:				
Mortgage loans held for sale.....	\$ —	\$ 17,212,435	\$ 416,100	\$ 17,628,535
IRLCs.....	—	—	2,393,764	2,393,764
MSRs.....	—	—	2,289,209	2,289,209
MSRs collateral for financing liability(1).....	—	—	59,926	59,926
Forward commitments.....	—	6,328	—	6,328
Total assets	\$ —	\$ 17,218,763	\$ 5,158,999	\$ 22,377,762
Liabilities:				
Forward commitments.....	\$ —	\$ 351,261	\$ —	\$ 351,261
MSRs financing liability(1).....	—	—	58,926	58,926
Total liabilities	\$ —	\$ 351,261	\$ 58,926	\$ 410,187
Balance at December 31, 2019				
Assets:				
Mortgage loans held for sale.....	\$ —	\$ 12,966,942	\$ 308,793	\$ 13,275,735
IRLCs.....	—	—	508,135	508,135
MSRs.....	—	—	2,874,972	2,874,972
MSRs collateral for financing liability(1).....	—	—	205,108	205,108
Forward commitments.....	—	3,838	—	3,838
Total assets	\$ —	\$ 12,970,780	\$ 3,897,008	\$ 16,867,788
Liabilities:				
Forward commitments.....	\$ —	\$ 43,794	\$ —	\$ 43,794
MSRs financing liability(1).....	—	—	189,987	189,987
Total liabilities	\$ —	\$ 43,794	\$ 189,987	\$ 233,781

(1) Refer to Note 3, *Mortgage Servicing Rights* for further information regarding both the MSR collateral for financing liability and MSR financing liability.

The following tables present the quantitative information about recurring Level 3 fair value financial instruments and the fair value measurements as of:

Unobservable Input	June 30, 2020	December 31, 2019
	Range (Weighted Average)	Range (Weighted Average)
Mortgage loans held for sale		
<i>Dealer pricing</i>	65 % - 103 % (95)%	75 % - 103 % (98)%
IRLCs		
<i>Loan funding probability</i>	0 % - 100 % (74)%	0 % - 100 % (72)%
MSRs, MSR collateral for financing liability, and MSR financing liability		
<i>Discount rate</i>	9.5 % - 12.0 % (10.0)%	9.5 % - 12.0 % (10.0)%
<i>Conditional prepayment rate</i>	2.7 % - 29.6 % (19.2)%	7.4 % - 44.5 % (14.5)%

The table below presents a reconciliation of Level 3 assets measured at fair value on a recurring basis for the three and six months ended June 30, 2020 and 2019. Mortgage servicing rights (including MSR collateral for financing liability and MSR financing liability) are also classified as a Level 3 asset measured at fair value on a recurring basis and its reconciliation is found in Note 3, *Mortgage Servicing Rights*.

	Loans Held for Sale	IRLCs
Balance at March 31, 2020	\$ 418,090	\$ 1,214,865
Transfers in(1)	242,904	—
Transfers out/principal reductions(1)	(235,617)	—
Net transfers and revaluation gains	—	1,178,899
Total losses included in net income	(9,277)	—
Balance at June 30, 2020	\$ 416,100	\$ 2,393,764
Balance at March 31, 2019	\$ 166,946	\$ 372,105
Transfers in(1)	374,435	—
Transfers out/principal reductions(1)	(265,856)	—
Net transfers and revaluation gains	—	135,082
Total gains included in net income	1,026	—
Balance at June 30, 2019	<u>\$ 276,551</u>	<u>\$ 507,187</u>

	Loans Held for Sale	IRLCs
Balance at December 31, 2019	\$ 308,793	\$ 508,135
Transfers in(1)	783,763	—
Transfers out/principal reductions(1)	(660,986)	—
Net transfers and revaluation gains	—	1,885,629
Total losses included in net income	(15,470)	—
Balance at June 30, 2020	\$ 416,100	\$ 2,393,764
Balance at December 31, 2018	\$ 194,752	\$ 245,663
Transfers in(1)	527,359	—
Transfers out/principal reductions(1)	(447,725)	—
Net transfers and revaluation gains	—	261,524
Total gains included in net income	2,165	—
Balance at June 30, 2019	<u>\$ 276,551</u>	<u>\$ 507,187</u>

- (1) Transfers in represent loans repurchased from investors or loans originated for which an active market currently does not exist. Transfers out primarily represent loans sold to third parties and loans paid in full.

Fair Value Option

The following is the estimated fair value and unpaid principal balance (“UPB”) of mortgage loans held for sale that have contractual principal amounts and for which the Company has elected the fair value option. The fair value option was elected for mortgage loans held for sale as the Company believes fair value best reflects their expected future economic performance:

	Fair Value	Principal Amount Due Upon Maturity	Difference(1)
Balance at June 30, 2020	\$ 17,628,535	\$ 16,819,756	\$ 808,779
Balance at December 31, 2019	\$ 13,275,735	\$ 12,929,143	\$ 346,592

- (1) Represents the amount of gains included in Gain on sale of loans, net due to changes in fair value of items accounted for using the fair value option.

Disclosures of the fair value of certain financial instruments are required when it is practical to estimate the value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques.

The following table presents the carrying amounts and estimated fair value of financial liabilities that are not recorded at fair value on a recurring or nonrecurring basis. This table excludes cash and cash equivalents, restricted cash, warehouse borrowings, and line of credit borrowing facilities as these financial instruments are highly liquid or short-term in nature and as a result, their carrying amounts approximate fair value:

	June 30, 2020		December 31, 2019	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Senior Notes, due 5/1/2025	\$ 1,241,868	\$ 1,279,950	\$ 1,241,012	\$ 1,297,250
Senior Notes, due 1/15/2028	\$ 993,853	\$ 1,045,320	\$ 992,779	\$ 1,046,683

The fair value of Senior Notes, was calculated using the observable bond price at June 30, 2020 and December 31, 2019, respectively. The Senior Notes are classified as Level 2 in the fair value hierarchy.

3. Mortgage Servicing Rights

Mortgage servicing rights are recognized as assets on the Condensed Combined Balance Sheet when loans are sold and the associated servicing rights are retained. The Company maintains one class of MSR asset and has elected the fair value option. These MSRs are recorded at fair value, which is determined using a valuation model that calculates the present value of estimated future net servicing fee income. The model includes estimates of prepayment speeds, discount rate, cost to service, float earnings, contractual servicing fee income, and ancillary income and late fees, among others. These estimates are supported by market and economic data collected from various outside sources.

During 2019, the Company began using derivatives to economically hedge the risk of changes in the fair value of certain MSRs measured at fair value. The changes in the fair value of derivatives that serve to mitigate certain risks associated with the certain MSRs are recorded in current period earnings.

The following table summarizes changes to the MSR assets for the three and six months ended:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Fair value, beginning of period	\$ 2,170,638	\$ 3,001,501	\$ 2,874,972	\$ 3,180,530
MSRs originated	669,923	445,663	1,205,342	742,335
MSRs sales	—	—	(186,292)	—
Changes in fair value:				
Due to changes in valuation model inputs or assumptions(1)	(272,885)	(391,348)	(1,078,421)	(712,327)
Due to collection/realization of cash flows	(278,467)	(206,914)	(526,392)	(361,636)
Total changes in fair value	(551,352)	(598,262)	(1,604,813)	(1,073,963)
Fair value, end of period	\$ 2,289,209	\$ 2,848,902	\$ 2,289,209	\$ 2,848,902

- (1) Reflects changes in assumptions including discount rates and prepayment speed assumptions, mostly due to changes in market interest rates. Does not include the change in fair value of derivatives that economically hedge MSRs identified for sale.

The total UPB of mortgage loans serviced, excluding subserviced loans, at June 30, 2020 and December 31, 2019 was \$346,870,713 and \$311,718,188, respectively. The portfolio primarily consists of high quality performing agency and government (FHA and VA) loans. As of June 30, 2020, delinquent loans (defined as 60-plus days past-due) were 3.71% of our total portfolio.

During the third quarter of 2019, the Company sold MSR with a book value of approximately \$340,000 relating to certain single-family mortgage loans. Based on the contract terms, the sale of those MSR did not qualify for sale accounting treatment under U.S. GAAP. As a result, the Company is required to retain the MSR asset (i.e., MSR collateral for financing liability) and the MSR liability (i.e., MSR financing liability) on the balance sheet until certain contractual provisions lapse after June 2020. These MSR will continue to be reported on the balance sheet at fair value using a valuation methodology consistent with the Company's method for valuing MSR until those contractual provisions lapse. Furthermore, the net change in fair market value ("FMV") of the MSR asset and liability from this sale is captured within loan servicing (loss) income, net in the Condensed Combined Statements of Income and Comprehensive Income. During the second quarter of 2020, the Company had \$14,911 of unrealized gains relating to the MSR liability and an offsetting \$14,911 of unrealized losses relating to the MSR asset. Additionally, terms of the agreement require quarterly adjustments to the sales price for changes in prepayment rates at the time of sale for a period of one year. Depending on these prepayment speeds the Company may either receive or pay additional funds from this transaction. Furthermore, in the first quarter of 2020, the Company also sold MSR with a book value of approximately \$186,000 relating to certain single-family mortgage loans, which qualified for sale accounting treatment under U.S. GAAP. In the second quarter of 2020, the Company did not sell any MSR.

The following is a summary of the weighted average discount rate and prepayment speed assumptions used to determine the fair value of MSR as well as the expected life of the loans in the servicing portfolio:

	June 30, 2020	December 31, 2019
Discount rate	10.0 %	10.0 %
Prepayment speeds	19.2 %	14.5 %
Life (in years)	4.14	5.33

The key assumptions used to estimate the fair value of MSR are prepayment speeds and the discount rate. Increases in prepayment speeds generally have an adverse effect on the value of MSR as the underlying loans prepay faster. In a declining interest rate environment, the fair value of MSR generally decreases as prepayments increase and therefore, the estimated life of the MSR and related cash flows decrease. Decreases in prepayment speeds generally have a positive effect on the value of MSR as the underlying loans prepay less frequently. In a rising interest rate environment, the fair value of MSR generally increases as prepayments decrease and therefore, the estimated life of the MSR and related cash flows increase. Increases in the discount rate result in a lower MSR value and decreases in the discount rate result in a higher MSR value. MSR uncertainties are hypothetical and do not always have a direct correlation with each assumption. Changes in one assumption may result in changes to another assumption, which might magnify or counteract the uncertainties.

The following table stresses the discount rate and prepayment speeds at two different data points:

	Discount Rate		Prepayment Speeds	
	100 BPS Adverse Change	200 BPS Adverse Change	10% Adverse Change	20% Adverse Change
June 30, 2020				
Mortgage servicing rights	\$ (73,814)	\$ (142,774)	\$ (153,663)	\$ (298,727)
December 31, 2019				
Mortgage servicing rights	\$ (101,495)	\$ (195,894)	\$ (133,039)	\$ (259,346)

4. Mortgage Loans Held for Sale

The Company sells substantially all of its originated mortgage loans into the secondary market. The Company may retain the right to service some of these loans upon sale through ownership of servicing rights. A reconciliation of the changes in mortgage loans held for sale to the amounts presented on the Combined Statements of Cash Flows is below:

	Six Months Ended	
	June 30,	
	2020	2019
Balance at the beginning of period.....	\$ 13,275,735	\$ 5,784,812
Disbursements of mortgage loans held for sale.....	122,056,424	53,244,712
Proceeds from sales of mortgage loans held for sale(1).....	(121,559,129)	(51,504,181)
Gain on sale of loans excluding fair value of MSR, net(2).	3,855,505	863,403
Balance at the end of period	\$ 17,628,535	\$ 8,388,746

(1) The proceeds from sales of loans held for sale on the Combined Statement of Cash Flows includes amounts related to the sale of consumer loans.

(2) The gain on sale of loans excluding MSR, net presented on the Combined Statements of Cash Flows includes amounts related to the sale of consumer loans, interest rate lock commitments, forward commitments, and provisions for investor reserves.

Credit Risk

The Company is subject to credit risk associated with mortgage loans that it purchases and originates during the period of time prior to the sale of these loans. The Company considers credit risk associated with these loans to be insignificant as it holds the loans for a short period of time, which is, on average, approximately 17 days from the date of borrowing, and the market for these loans continues to be highly liquid. The Company is also subject to credit risk associated with mortgage loans it has repurchased as a result of breaches of representations and warranties during the period of time between repurchase and resale.

5. Borrowings

The Company maintains several funding facilities and other non-funding debt as shown in the tables below. Interest rates are based on LIBOR (some have a floor) plus a spread, except for the \$175,000 unsecured line of credit and the Senior Notes. The interest rate for each advance on the \$175,000 unsecured line of credit is variable and is based on a margin over either a fixed one, two, or three-month LIBOR or a floating daily or 30 day LIBOR, or the lender's prime rate, at the option of the Company. The commitment fee charged by lenders for each of the facilities is an annual fee and is calculated based on the committed line amount multiplied by a negotiated rate. The fee rate ranges from 0% to 0.75% among the facilities except for the Senior Notes, which has no commitment fee. The Company is required to maintain certain covenants, including minimum tangible net worth, minimum liquidity, maximum total debt or liabilities to net worth ratio, pretax net income requirements, and other customary debt covenants, as defined in the agreements. The Company was in compliance with all covenants as of June 30, 2020 and December 31, 2019.

The amount owed and outstanding on the Company's loan funding facilities fluctuates greatly based on its origination volume, the amount of time it takes the Company to sell the loans it originates, and the Company's ability to use the cash to self-fund loans. In addition to self-funding, the Company may from time to time use surplus cash to "buy-down" the effective interest rate of certain loan funding facilities or to self-fund a portion of our loan originations. As of June 30, 2020, \$429,914 of the Company's cash was used to buy-down our funding facilities and self-fund, \$265,000 of which are buy-down funds that are included in cash on the balance sheet and \$164,914 of which is self-funding that reduces cash on the balance sheet. The Company has the right to withdraw the \$265,000 at any time, unless a margin call has been made or a default has occurred under the relevant facilities. The Company has the right to transfer the \$164,914 of self-funded loans on to a warehouse line or the early buy out line, provided that such loans meet the eligibility criteria to be placed on such warehouse line or the early buy out line and no default or margin call has been made on such line, the loans are further subject to any required haircuts, and are subject to its ability to borrow additional funds under the facility. A large, unanticipated margin call could have a material adverse effect on the Company's liquidity. Furthermore, refer to *Note 3, Mortgage Servicing Rights* for additional information regarding the MSR financing liability with the MSR sold during the third quarter of 2019.

The terms of the Senior Notes restrict our ability and the ability of our subsidiary guarantors among other things to: (i) incur additional debt or issue preferred stock; (ii) pay dividends or make distributions in respect of capital stock;

(iii) purchase or redeem capital stock; (iv) make investments or other restricted payments; (v) sell assets; (vi) enter into transactions with affiliates; (vii) effect a consolidation or merger, taken as a whole; and (viii) designate our subsidiaries as unrestricted subsidiaries, unless certain conditions are met, as defined in the agreements.

Funding Facilities

Facility Type	Collateral	Maturity	Line Amount	Committed Line Amount	Outstanding Balance June 30, 2020	Outstanding Balance December 31, 2019
MRA funding:						
1) Master Repurchase Agreement(1)(10).....	Mortgage loans held for sale(9)	10/22/2021	\$ 2,000,000	\$ 100,000	\$ 1,999,963	\$ 835,302
2) Master Repurchase Agreement(2)(10).....	Mortgage loans held for sale(9)	12/3/2020	\$ 1,750,000	\$ 500,000	1,599,302	1,390,839
3) Master Repurchase Agreement(3)(10).....	Mortgage loans held for sale(9)	4/22/2022	\$ 3,250,000	\$ 1,000,000	2,476,494	2,622,070
4) Master Repurchase Agreement(4)(10).....	Mortgage loans held for sale(9)	9/16/2020	\$ 1,500,000	\$ 1,325,000	1,473,762	875,617
5) Master Repurchase Agreement(5)(10).....	Mortgage loans held for sale(9)	4/22/2021	\$ 2,000,000	\$ 500,000	1,270,770	2,063,099
6) Master Repurchase Agreement(6)(10).....	Mortgage loans held for sale(9)	9/5/2022	\$ 1,500,000	\$ 1,500,000	1,450,543	965,903
7) Master Repurchase Agreement(10).....	Mortgage loans held for sale(9)	10/15/2020	\$ 1,500,000	\$ 975,000	1,168,418	773,822
8) Master Repurchase Agreement(10).....	Mortgage loans held for sale(9)	6/12/2021	\$ 400,000	\$ —	397,653	—
			\$ 13,900,000	\$ 5,900,000	11,836,905	9,526,652
Early Funding:						
9) Early Funding Facility(7)(11).....	Mortgage loans held for sale(9)	See disclosure below	\$ 4,000,000	—	2,806,083	2,022,179
10) Early Funding Facility(8)(11).....	Mortgage loans held for sale(9)	See disclosure below	\$ 2,500,000	—	1,042,872	493,047
			\$ 6,500,000	—	3,848,955	2,515,226
Total.....			\$ 20,400,000	\$ 5,900,000	\$ 15,685,860	\$ 12,041,878

- (1) Subsequent to June 30, 2020 this facility was amended to temporarily increase the total line amount to \$3,000,000 with \$100,000 committed until September 10, 2020. Subsequent to September 10, 2020, the facility will drop to \$2,000,000 with \$100,000 committed.
- (2) This facility will have an overall line size of \$1,750,000 with \$500,000 committed until September 30, 2020. Subsequent to September 30, 2020, the facility will drop to \$1,000,000 with \$500,000 committed.
- (3) This facility will have an overall line size of \$3,250,000 with \$1,000,000 committed until December 31, 2020. Subsequent to December 31, 2020, the facility will drop to \$2,750,000 with \$1,000,000 committed.
- (4) Subsequent to June 30, 2020, this facility was increased to \$2,000,000 with \$1,700,000 committed maturing July 26, 2021. This facility has a 12-month initial term, which can be extended for 3-months at each subsequent 3-month anniversary from the initial start date.
- (5) Subsequent to June 30, 2020, this facility was amended to increase the total line amount to \$2,500,000 with \$500,000 committed through facility maturity.
- (6) Subsequent to June 30, 2020, this facility was amended to temporarily increase the total line amount to \$2,000,000 with \$1,500,000 committed until December 30, 2020. Subsequent to December 30, 2020, the committed amount will drop to \$1,000,000 while the total line amount will remain at \$2,000,000.

- (7) This facility is an evergreen agreement with no stated termination or expiration date. This agreement can be terminated by either party upon written notice
- (8) This facility will have an overall line size of \$2,500,000, which will be reviewed every 90 days. This agreement is an evergreen agreement with no stated termination or expiration date. This agreement can be terminated by either party upon written notice.
- (9) The Company has multiple borrowing facilities in the form of asset sales under agreements to repurchase. These borrowing facilities are secured by mortgage loans held for sale at fair value as the first priority security interest.
- (10) The interest rates charged by lenders of the funding facilities under the Master Repurchase Agreements ranged from one-month LIBOR+1.23% to one-month LIBOR+2.30% for the six months ended June 30, 2020 and one-month LIBOR+1.20% to one-month LIBOR+2.30% for the year ended December 31, 2019.
- (11) The interest rates charged by lenders for the early funding facilities ranged from one-month LIBOR+0.40% to one-month LIBOR+1.00% for the six months ended June 30, 2020 and one-month LIBOR+0.40% to one-month LIBOR+0.85% for the year ended December 31, 2019.

Other Financing Facilities

Facility Type	Collateral	Maturity	Line Amount	Committed Line Amount	Outstanding Balance June 30, 2020	Outstanding Balance December 31, 2019
Line of Credit Financing Facilities						
1) Unsecured line of credit(1)(8).....	—	11/1/2024	\$ 1,000,000	\$ —	\$ —	\$ —
2) Unsecured line of credit(2)(8).....	—	2/28/2021	175,000	175,000	85,000	90,000
3) Unsecured line of credit(3).....	—	6/23/2025	50,000	—	—	—
4) Unsecured line of credit(3).....	—	See disclosure below	10,000	—	—	—
5) Revolving credit facility(4).....	—	See disclosure below	—	—	—	—
6) MSR line of credit(5)(9).....	MSRs	10/22/2021	200,000	—	—	—
7) MSR line of credit(6)(9).....	MSRs	See disclosure below	200,000	200,000	75,000	75,000
			<u>\$ 1,635,000</u>	<u>\$ 375,000</u>	<u>\$ 160,000</u>	<u>\$ 165,000</u>
Early Buyout Financing Facility						
8) Early buy out facility(7)(10).....	Loans/ Advances	6/9/2021	\$ 500,000	\$ —	\$ 241,752	\$ 196,247

- (1) This uncommitted, unsecured Revolving Loan Agreement is with RHI. Subsequent to June 30, 2020, this facility was amended to increase the total line amount to \$2,000,000 and extend the maturity to July 27, 2025.
- (2) Subsequent to June 30, 2020, this facility was terminated at the borrower's request and a portion of the commitment was rolled in the new revolving credit facility described below in footnote 4 below.
- (3) Refer to *Note 6. Transactions with Related Parties* for additional details regarding this unsecured line of credit
- (4) Subsequent to June 30, 2020, a new three-year revolving credit facility was closed. The \$950,000 committed facility, which includes a syndicate of banks, expires on August 10, 2023. Subsequent to June 30, 2020, \$300,000 was drawn.
- (5) This facility's uncommitted line amount is unavailable to draw.
- (6) This MSR facility can be drawn upon for corporate purposes and is collateralized by GSE MSRs within our servicing portfolio. This facility has a 5-year total commitment comprised of a 3-year revolving period that expires on April 30, 2022 followed by a 2-year amortization period that expires on April 30, 2024.

- (7) This facility provides funding for repurchasing delinquent loans from agency securities loan pools and servicer advances related to the repurchased loans. Effective January 30, 2020, this facility has an overall line size of \$500,000 which can be increased to \$600,000 at borrower's request and lender's acceptance.
- (8) The interest rates charged by lenders for the unsecured lines of credit financing facilities ranged from one-month LIBOR+1.25% to one-month LIBOR+2.00% for the six months ended June 30, 2020 and for the year ended December 31, 2019.
- (9) The interest rates charged by lenders for the MSR line of credit financing facility ranged from one-month LIBOR +2.25% to one-month LIBOR+4.00% for the six months ended June 30, 2020 and the year ended December 31, 2019.
- (10) The interest rate charged by lender for the Early buyout financing facility was one-month LIBOR+1.75% for the six months ended June 30, 2020 and for the year ended December 31, 2019.

Unsecured Senior Notes

Facility Type	Maturity	Interest Rate	Outstanding Balance June 30, 2020	Outstanding Balance December 31, 2019
Unsecured Senior Notes(1).....	5/1/2025	5.75 %	\$ 1,250,000	\$ 1,250,000
Unsecured Senior Notes(2).....	1/15/2028	5.25 %	\$ 1,010,000	\$ 1,010,000
Total Senior Notes			\$ 2,260,000	\$ 2,260,000

- (1) The 2025 Senior Notes are unsecured obligation notes with no asset required to pledge for this borrowing. Unamortized debt issuance costs are presented net against the Senior Notes reducing the \$1,250,000 carrying amount on the balance sheet by \$8,132 and \$8,988 as of June 30, 2020 and December 31, 2019, respectively. At any time on or after May 1, 2020, the Company may redeem the note at its option, in whole or in part, upon not less than 30 nor more than 60 days notice, at the redemption prices equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to but excluding the redemption date, in cash, if redeemed during the twelve-month period beginning on May 1 in the years indicated below:

Year	Percentage
Rest of 2020.....	102.875 %
2021.....	101.917 %
2022.....	100.958 %
2023 and thereafter.....	100.000 %

- (2) The 2028 Senior Notes are unsecured obligation notes with no asset required to pledge for this borrowing. Unamortized debt issuance costs and discounts are presented net against the Senior Notes reducing the \$1,010,000 carrying amount on the balance sheet by \$8,838 and \$7,309 as of June 30, 2020, respectively and \$9,421 and \$7,800 as of December 31, 2019, respectively. At any time and from time to time on or after January 15, 2023, the Company may redeem the notes at its option, in whole or in part, upon not less than 30 nor more than 60 days notice, at the redemption prices equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to but excluding the redemption date, in cash, if redeemed during the twelve-month period beginning on January 15 in the years indicated below:

Year	Percentage
2023.....	102.625 %
2024.....	101.750 %
2025.....	100.875 %
2026 and thereafter.....	100.000 %

Refer to *Note 2, Fair Value Measurements* for information pertaining to the fair value of the Company's debt as of June 30, 2020 and December 31, 2019.

6. Transactions with Related Parties

The Company has entered into various transactions and agreements with RHI, its subsidiaries, certain other affiliates and related parties (collectively, "Related Parties"). These transactions include providing financing and services as well as obtaining financing and services from these Related Parties.

Financing Arrangements

On January 6, 2017, the Company entered into a \$55,983 promissory note with one of the Company's shareholders ("Shareholder's Note"). In 2019, the Shareholder's Note was amended and the accrued interest balance of \$1,474 was added to the principal outstanding, increasing the total principal outstanding to \$57,457, due on December 31, 2020. In March 2020, the full amount of this note was settled in cash and is no longer outstanding.

As of December 31, 2019, there were other promissory notes outstanding with Related Parties. These notes were settled in full as of June 30, 2020.

On June 9, 2017, Rocket Mortgage and RHI entered into a \$300,000 uncommitted and unsecured line of credit ("RHI Line of Credit"). On December 24, 2019 the Company amended the RHI Line of Credit and increased the borrowing capacity to \$1,000,000, due on November 1, 2024. Borrowings under the line of credit bear interest at a rate per annum of one month LIBOR plus 1.25%. The line of credit is uncommitted and RHI has sole discretion over advances. The RHI Line of Credit also contains negative covenants which restrict the ability of the Company to incur debt and create liens on certain assets. It also requires the Company to maintain a quarterly combined net income before taxes if adjusted tangible net worth meets certain requirements. At quarter ended June 30, 2020 and the year ended December 31, 2019, there were no outstanding amounts due to RHI pursuant to the RHI Line of Credit. Subsequent to June 30, 2020, the Company amended the RHI Line of Credit and increased the borrowing capacity to \$2,000,000, due on July 27, 2025.

On January 10, 2019, RockLoans Opportunities LLC and RHI Opportunities, a subsidiary of RHI, entered into a \$10,000 agreement for a perpetual uncommitted, unsecured line of credit ("RHIO Line of Credit"), which provides for financing from RHI Opportunities to the Company. Borrowings under the line of credit bear interest at a rate per annum of 5.00%. The line of credit is uncommitted and RHI has sole discretion over advances. The principal amount of all borrowings is payable in full on demand by RHI Opportunities. The RHIO Line of Credit also contains negative covenants that restrict the ability of RockLoans Opportunities to incur debt in excess of \$500 and creates liens on certain assets other than liens securing permitted debt.

On June 23, 2020, Rock Central LLC and RHI Opportunities, a subsidiary of RHI, entered into an additional agreement for an uncommitted, unsecured revolving line of credit ("RHIO 2nd Line of Credit"), which provides for financing from RHI Opportunities to the Company of up to \$50,000. The line of credit matures on June 23, 2025. Borrowings under the line of credit bear interest at a rate per annum of one month LIBOR plus 1.25%. The negative covenants of the line of credit restrict the ability of the Company to incur debt and create liens on certain assets. The line of credit also contains customary events of default.

Subsequent to June 30, 2020, the RKT Holdings, LLC and RHI entered into another agreement for an uncommitted, unsecured revolving line of credit ("RHI 2nd Line of Credit"), which will provide for financing from RHI to the Company of up to \$100,000. The line of credit will mature on July 31, 2025. Borrowings under the line of credit will bear interest at a rate per annum of one month LIBOR plus 1.25%. The negative covenants of the line of credit restrict the ability of the Company to incur debt and create liens on certain assets. The line of credit also contains customary events of default.

The amounts receivable from and payable to Related Parties consisted of the following as of:

	June 30, 2020		December 31, 2019	
	Principal	Interest Rate(1)	Principal	Interest Rate(1)
Included in Notes receivable and due from affiliates on the Condensed Combined Balance Sheets				
Promissory Note—Shareholders Note.....	\$ —	—	\$ 57,457	2.38 %
Affiliated receivables and other notes.....	17,028	—	32,489	—
Notes receivable and due from affiliates.....	\$ 17,028		\$ 89,946	
Included in Notes payable and due to affiliates on the Condensed Combined Balance Sheets				
RHIO Line of Credit.....	\$ 9,000	5.00 %	\$ 10,000	5.00 %
Affiliated payables.....	52,192	—	25,082	—
Notes payable and due to affiliates.....	\$ 61,192		\$ 35,082	

(1) Interest incurred and accrued is based on a margin over 30-day LIBOR as of the date of advance.

Services, Products and Other Transactions

We have entered into transactions and agreements to provide certain services to RHI, its subsidiaries and certain other affiliates of our majority shareholder. We recognized revenue of \$1,920 and \$2,283 in the three months ended June 30, 2020 and 2019, respectively, and revenue of \$3,755 and \$3,887 in the six months ended June 30, 2020 and 2019, respectively, for the performance of these services, which was included in other income. Related Party receivables were \$17,028 and \$29,431 as of June 30, 2020 and December 31, 2019, respectively. We have also entered into transactions and agreements to purchase certain services, products and other transactions from certain subsidiaries of RHI and affiliates of our majority shareholder. We incurred expenses of \$23,258 and \$12,706 in the three months ended June 30, 2020 and 2019, respectively and expenses of \$38,181 and \$21,276 in the six months ended June 30, 2020 and 2019, respectively, for these products, services and other transactions, which are included in general and administrative expenses. Related party payables, which is recorded in notes payable and due to affiliates, were \$52,192 and \$25,082 as of June 30, 2020 and December 31, 2019, respectively.

Lease Transactions with Related Parties

The Company is a party to lease agreements for certain offices, including our headquarters in Detroit, with various affiliates of Bedrock Management Services LLC (“Bedrock”), a related party, and other related parties of the Company. During the three months ended June 30, 2020 and 2019, we incurred expenses totaling \$17,560 and \$17,380, respectively, and for the six months ended June 30, 2020 and 2019, we incurred expenses totaling \$33,957 and \$34,775, respectively, for these properties.

7. Other Assets

Other assets consist of the following:

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Margin call receivable from counterparty.....	\$ 195,932	\$ 3,697
Mortgage production related receivables.....	154,225	157,276
Disbursement funds advanced.....	82,391	56,721
Non-production-related receivables.....	64,456	35,530
Prepaid expenses.....	61,387	62,199
Ginnie Mae buyouts.....	59,961	78,174
Goodwill and other intangible assets.....	38,079	40,261
Other real estate owned.....	1,653	1,619
Other.....	56,705	64,181
Total other assets.....	<u>\$ 714,789</u>	<u>\$ 499,658</u>

8. Income Taxes

The components of income (loss) tax expense (benefit) were as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Total income before income (loss) taxes and non-controlling interest.....	\$ 3,481,880	\$ (54,259)	\$ 3,579,896	\$ (354,608)
Total provision for (benefit from) income taxes.....	\$ 20,669	\$ (283)	\$ 21,405	\$ (1,287)
Effective tax provision rate.....	0.59 %	0.52 %	0.60 %	0.36 %

The Combined Businesses of the Company is comprised of qualified Subchapter S subsidiary corporations and single member LLCs, which are generally not subject to U.S. Federal or state income taxes. Accordingly, its operating results are included in the income tax returns of its shareholders. However, certain states in which the Company operates have entity-level income taxes that are not passed to the shareholders. Accordingly, income tax expense is accrued for such entity-level income taxes.

For interim tax reporting, we estimate one single effective tax rate for tax jurisdictions not subject to a valuation allowance, which is applied to the year-to-date ordinary income/(loss). Tax effects of significant unusual or infrequently occurring items are excluded from the estimated annual effective tax rate calculation and recognized in the interim period in which they occur.

As part of the completion of the IPO, the Company will become a C-Corporation and will be subject to U.S. Federal, state and local income taxes with respect to its allocable share of net taxable income of Holdings. In addition, certain subsidiaries of Holdings will also be subject to U.S. Federal, state, local and Canadian income taxes.

9. Derivative Financial Instruments

The Company enters into interest rate lock commitments (“IRLCs”), forward commitments to sell mortgage loans and forward commitments to purchase loans, which are considered derivative financial instruments. These items are accounted for as free-standing derivatives and are included in the condensed combined balance sheets at fair value. The Company treats all of its derivative instruments as economic hedges; therefore, none of its derivative instruments qualify for designation as accounting hedges. Changes in the fair value of the IRLCs and forward commitments to sell mortgage loans are recorded in current period earnings and are included in gain on sale of loans, net in the Condensed Combined Statements of Income and Comprehensive Income. Forward commitments to purchase mortgage loans are recognized in current period earnings and are included in gain on sale of loans in the Condensed Combined Statements of Income and Comprehensive Income.

The Company enters into IRLCs to fund residential mortgage loans with its potential borrowers. These commitments are binding agreements to lend funds to these potential borrowers at specified interest rates within specified periods of time.

The fair value of IRLCs is derived from the fair value of similar mortgage loans or bonds, which is based on observable market data. Changes to the fair value of IRLCs are recognized based on changes in interest rates, changes in the probability that the commitment will be exercised, and the passage of time. The expected net future cash flows related to the associated servicing of the loan are included in the fair value measurement of rate locks.

IRLCs and uncommitted mortgage loans held for sale expose the Company to the risk that the value of the mortgage loans held and mortgage loans underlying the commitments may decline due to increases in mortgage interest rates during the life of the commitments. To protect against this risk, the Company uses forward loan sale commitments to economically hedge the risk of potential changes in the value of the loans. These derivative instruments are recorded at fair value. The Company expects that the changes in fair value of these derivative financial instruments will either fully or partially offset the changes in fair value of the IRLCs and uncommitted mortgage loans held for sale. The changes in the fair value of these derivatives are recorded in gain on sale of loans, net.

MSR assets (including the MSR value associated with outstanding IRLCs) that the Company plans to sell expose the Company to the risk that the value of the MSR asset may decline due to decreases in mortgage interest rates prior to the sale of these assets. To protect against this risk, the Company uses forward loan purchase commitments to economically hedge the risk of potential changes in the value of MSR assets that have been identified for sale. These derivative instruments are recorded at fair value. The Company expects that the changes in fair value of these derivative financial instruments will either fully or partially offset the changes in fair value of the MSR assets the Company intends to sell. The changes in fair value of these derivatives are recorded in the change in fair value of MSRs, net.

Forward commitments include to be announced (“TBA”) mortgage backed securities that have been aggregated at the counterparty level for presentation and disclosure purposes. Counterparty agreements contain a legal right to offset amounts due to and from the same counterparty under legally enforceable master netting agreements to settle with the same counterparty, on a net basis, as well as the right to obtain cash collateral. Forward commitments also include commitments to sell loans to counterparties and to purchase loans from counterparties at determined prices. Refer to *Note 9, Derivative Financial Instruments* for further information.

The Company uses forward commitments in hedging the interest rate risk exposure on its fixed and adjustable rate commitments. Utilization of forward commitments involves some degree of basis risk. Basis risk is defined as the risk that the hedged instrument’s price does not move in parallel with the increase or decrease in the market price of the hedged financial instrument. The Company calculates an expected hedge ratio to mitigate a portion of this risk. The Company’s derivative instruments are not designated as accounting hedging instruments, and therefore, changes in fair value are recorded in current period earnings. Hedging gains and losses are included in gain on sale of loans, net in the Combined Statements of Income and Comprehensive Income.

Net hedging losses were as follows:

	Three Months Ended June 30,		Six months ended June 30,	
	2020(1)	2019	2020(1)	2019
Hedging losses.....	\$ (510,804)	\$ (598)	\$ (1,507,788)	\$ (34,453)

(1) Includes the change in fair value related to derivatives economically hedging MSR identified for sale.

Refer to *Note 2, Fair Value Measurements*, for additional information on the fair value of derivative financial instruments.

Notional and Fair Value

The notional and fair values of derivative financial instruments not designated as hedging instruments were as follows:

	Notional Value	Derivative Asset	Derivative Liability
Balance at June 30, 2020:			
IRLCs, net of loan funding probability(1).....	\$ 46,035,933	\$ 2,393,764	\$ —
Forward commitments(2).....	\$ 57,969,480	\$ 6,328	\$ 351,261
Balance at December 31, 2019:			
IRLCs, net of loan funding probability(1).....	\$ 15,439,960	\$ 508,135	\$ —
Forward commitments(2).....	\$ 26,637,275	\$ 3,838	\$ 43,794

(1) IRLCs are also discussed in *Note 10, Commitments, Contingencies, and Guarantees*.

(2) Includes the fair value and notional value related to derivatives economically hedging MSR identified for sale.

Counterparty agreements for forward commitments contain master netting agreements. The table below presents the gross amounts of recognized assets and liabilities subject to master netting agreements. The Company had \$195,932 and \$3,697 of cash pledged to counterparties related to these forward commitments at June 30, 2020 and December 31, 2019, respectively, classified in other assets in the Condensed Combined Balance Sheets. As of June 30, 2020 and December 31, 2019, there was no cash on our balance sheet from the respective counterparties. Margins received by the Company are classified in other liabilities in the Condensed Combined Balance Sheets.

	Gross Amount of Recognized Assets or Liabilities	Gross Amounts Offset in the Condensed Combined Balance Sheet	Net Amounts Presented in the Condensed Combined Balance Sheet
Offsetting of Derivative Assets			
Balance at June 30, 2020:			
Forward commitments.....	\$ 15,786	\$ (9,458)	\$ 6,328
Balance at December 31, 2019:			
Forward commitments.....	\$ 6,690	\$ (2,852)	\$ 3,838
Offsetting of Derivative Liabilities			
Balance at June 30, 2020:			
Forward commitments.....	\$ (555,239)	\$ 203,978	\$ (351,261)
Balance at December 31, 2019:			
Forward commitments.....	\$ (89,389)	\$ 45,595	\$ (43,794)

Counterparty Credit Risk

Credit risk is defined as the possibility that a loss may occur from the failure of another party to perform in accordance with the terms of the contract, which exceeds the value of existing collateral, if any. The Company attempts to limit its credit risk by dealing with creditworthy counterparties and obtaining collateral where appropriate.

The Company is exposed to credit loss in the event of contractual nonperformance by its trading counterparties and counterparties to its various over-the-counter derivative financial instruments noted in the above Notional and Fair Value discussion. The Company manages this credit risk by selecting only counterparties that it believes to be financially strong, spreading the credit risk among many such counterparties, placing contractual limits on the amount of unsecured credit extended to any single counterparty, and entering into netting agreements with the counterparties as appropriate.

The master netting agreements contain a legal right to offset amounts due to and from the same counterparty. Derivative assets in the Condensed Combined Balance Sheets represent derivative contracts in a gain position net of loss positions with the same counterparty and, therefore, also represent the Company's maximum counterparty credit risk. The Company incurred no credit losses due to nonperformance of any of its counterparties during the six months ended June 30, 2020 and 2019.

10. Commitments, Contingencies, and Guarantees

Interest Rate Lock Commitments

IRLCs are agreements to lend to a client as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Company evaluates each client's creditworthiness on a case-by-case basis.

The number of days from the date of the IRLC to expiration of fixed and variable rate lock commitments outstanding at June 30, 2020 and December 31, 2019 was approximately 44 days on average.

The UPB of IRLCs was as follows:

	June 30, 2020		December 31, 2019	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
IRLCs.....	\$ 60,868,152	\$ 1,299,825	\$ 20,577,282	\$ 974,693

Commitments to Sell Mortgage Loans

In the ordinary course of business, the Company enters into contracts to sell existing mortgage loans held for sale into the secondary market at specified future dates. The amount of commitments to sell existing loans at June 30, 2020 and December 31, 2019 was \$4,106,301 and \$2,859,710, respectively.

Commitments to Sell Loans with Servicing Released

In the ordinary course of business, the Company enters into contracts to sell the MSR of certain newly originated loans on a servicing released basis. In the event that a forward commitment is not filled and there has been an unfavorable market shift from the date of commitment to the date of settlement, the Company is contractually obligated to pay a pair-off fee on the undelivered balance. There were \$2,747 and \$78,446 of loans committed to be sold servicing released at June 30, 2020 and December 31, 2019, respectively.

Investor Reserves

The following presents the activity in the investor reserves:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Balance at beginning of period	\$ 55,667	\$ 56,645	\$ 54,387	\$ 56,943
Provision for (benefit from) investor reserves	7,786	(1,145)	9,363	(652)
Premium recapture and indemnification losses paid	(441)	(258)	(738)	(1,049)
Balance at end of period	<u>\$ 63,012</u>	<u>\$ 55,242</u>	<u>\$ 63,012</u>	<u>\$ 55,242</u>

The maximum exposure under the Company's representations and warranties would be the outstanding principal balance and any premium received on all loans ever sold by the Company, less any loans that have already been paid in full by the mortgagee, that have defaulted without a breach of representations and warranties, that have been indemnified via settlement or make-whole, or that have been repurchased. Additionally, the Company may receive relief of certain representation and warranty obligations on loans sold to Fannie Mae or Freddie Mac on or after January 1, 2013 if Fannie Mae or Freddie Mac satisfactorily concludes a quality control loan file review or if the borrower meets certain acceptable payment history requirements within 12 or 36 months after the loan is sold to Fannie Mae or Freddie Mac.

Property Taxes, Insurance, and Principal and Interest Payable

As a service to its clients, the Company administers escrow deposits representing undisbursed amounts received for payment of property taxes, insurance and principal, and interest on mortgage loans held for sale. Cash held by the Company for property taxes and insurance was \$4,139,441 and \$2,617,016, and for principal and interest was \$9,834,764 and \$6,726,793 at June 30, 2020 and December 31, 2019, respectively. These amounts are not considered assets of the Company and, therefore, are excluded from the Condensed Combined Balance Sheets. The Company remains contingently liable for the disposition of these deposits.

Guarantees

As of June 30, 2020 and December 31, 2019, the Company guaranteed the debt of another related party totaling \$15,000, consisting of three separate guarantees of \$5,000 each. As of June 30, 2020 and December 31, 2019, the Company did not record a liability on the Condensed Combined Balance Sheets for these guarantees because it was not probable that the Company would be required to make payments under these guarantees.

Trademark License

The Company has a perpetual trademark license agreement with a third-party entity. This agreement requires annual payments by the Company based upon the income from the sale of loans generated under the Quicken Loans brand. Total licensing fees incurred and paid were \$1,875 for each of the three months ended June 30, 2020 and 2019, and \$3,750 for the six months ended June 30, 2020 and 2019, which is the maximum amount allowable under the contract for the periods indicated and is classified in other expenses in the Condensed Combined Statements of Income and Comprehensive Income.

Legal

Rocket Companies, among other things, engages in mortgage lending, title and settlement services, and other financial technology services. Rocket Companies operates in a highly regulated industry and is routinely subject to various legal and administrative proceedings concerning matters that arise in the normal and ordinary course of business, including inquires, complaints, subpoenas, audits, examinations, investigations and potential enforcement actions from regulatory agencies and state attorney generals; state and federal lawsuits and putative class actions; and other litigation. Periodically, we assess our potential liabilities and contingencies in connection with outstanding legal and administrative proceedings utilizing the latest information available. While it is not possible to predict the outcome of any of these matters, based on our assessment of the facts and circumstances, we do not believe any of these matters, individually or in the aggregate, will have a material adverse effect on our financial position, results of operations or cash flows. However, actual outcomes may differ from those expected and could have a material effect on our financial position, results of operations or cash flows in a future

period. Rocket Companies accrues for losses when they are probable to occur and such losses are reasonably estimable. Legal costs expected to be incurred are accounted for as they are incurred.

In 2018 an initial judgment was entered against the Quicken Loans and Amrock, formerly known as Title Source, Inc., for a certified class action lawsuit filed in the U.S. District Court of the Northern District of West Virginia. The lawsuit alleged that the defendants violated West Virginia state law by unconscionably inducing them (and a class of other West Virginians who received loans through Quicken Loans and appraisals through Amrock) into loans by including the borrower's own estimated home values on appraisal order forms. The judge has ruled in favor of the plaintiffs on liability and the case is currently on appeal to the U.S. Court of Appeals for the Fourth Circuit. Quicken Loans and Amrock believe an unfavorable outcome to be reasonably possible but not probable based on rulings by the court, advice of counsel, their respective defenses, and other developments with an aggregate possible range of loss to be between zero and \$15,000.

Quicken Loans is also defending itself against five putative Telephone Consumer Protection Act ("TCPA") class action lawsuits. Quicken Loans denies the allegations in these cases and intends to vigorously defend itself. Quicken Loans has filed, or intends to file, a dispositive motion in each of these matters which, if granted, would result in a finding of no liability. Quicken Loans does not believe a loss is probable; therefore, no reserve has been recorded related to these matters. A range of possible loss cannot be estimated with any degree of reasonable certainty.

Amrock is currently involved in civil litigation related to a business dispute between Amrock and HouseCanary, Inc. ("HouseCanary"). The lawsuit was filed on April 12, 2016, by Amrock—Title Source, Inc. v. HouseCanary, Inc., No. 2016-CI-06300 (37th Civil District Court, San Antonio, Texas)—and included claims against HouseCanary for breach of contract and fraudulent inducement stemming from a contract between Amrock and HouseCanary whereby HouseCanary was obligated to provide Amrock with appraisal and valuation software and services. HouseCanary filed counterclaims against Amrock for, among other things, breach of contract, fraud, and misappropriation of trade secrets. On March 14, 2018, following trial of the claims in the lawsuit, a Bexar County, Texas, jury awarded \$706,200 in favor of HouseCanary and rejected Amrock's claims against HouseCanary. The district court entered judgment in favor of HouseCanary and against Amrock for an aggregate of \$739,600 (consisting of \$235,400 in actual damages; \$470,800 in punitive damages; \$28,900 in prejudgment interest; and \$4,500 in attorney fees). On appeal (No. 04-19-00044-CV, Fourth Court of Appeals, San Antonio, Texas), the court of appeals affirmed judgment of no-cause on Amrock's claim for breach of contract, but reversed judgment on HouseCanary's misappropriation of trade secrets and fraud claims and remanded the case for a new trial on HouseCanary's claims. It is possible that one (or both) of the parties could seek additional appellate review of the court of appeals' decision. The outcome of this matter remains uncertain, and the ultimate resolution of the litigation may be several years in the future. If the case is tried again, Amrock intends to present new evidence, including evidence revealed by whistleblowers who came forward with evidence that undermined HouseCanary's claims after the conclusion of the original trial, and to vigorously defend against this case and any subsequent actions.

Quicken Loans and Rocket Homes are defending themselves against a tagalong lawsuit filed by HouseCanary that also includes claims for misappropriation of trade secrets. That case is in its early stages and is stayed pending a resolution of Quicken Loans' and Rocket Homes' dispositive motion.

In addition to the matters described above, Rocket Companies are subject to other legal proceedings arising from the ordinary course of business. The ultimate outcome of these or other actions or proceedings, including any monetary awards against the companies, is uncertain and there can be no assurance as to the amount of any such potential awards.

There are no recorded reserves related to potential damages in connection with any of the above legal proceedings, as any potential loss is not currently probable and reasonably estimable under U.S. GAAP. The ultimate outcome of these or other actions or proceedings, including any monetary awards against one or more of the Rocket Companies, is uncertain and there can be no assurance as to the amount of any such potential awards. The Rocket Companies will incur defense costs and other expenses in connection with the lawsuits. Plus, if a judgment for money that exceeds specified thresholds is rendered against a Rocket Company or Rocket Companies and it or they fail to timely pay, discharge, bond or obtain a stay of execution of such judgment, it is possible that one or more of the Rocket Companies could be deemed in default of loan funding facilities and other agreements governing indebtedness. If the final resolution of any such litigation is unfavorable in one or more of these actions, it could have a material adverse effect on a Rocket Company's or the Rocket Companies' business, liquidity, financial condition, cash flows and results of operations.

11. Minimum Net Worth Requirements

Certain secondary market investors and state regulators require the Company to maintain minimum net worth and capital requirements. To the extent that these requirements are not met, secondary market investors and/or the state regulators may utilize a range of remedies including sanctions, and/or suspension or termination of selling and servicing agreements, which may prohibit the Company from originating, securitizing or servicing these specific types of mortgage loans.

Rocket Mortgage is subject to the following minimum net worth, minimum capital ratio and minimum liquidity requirements established by the Federal Housing Finance Agency (“FHFA”) for Fannie Mae and Freddie Mac Seller/Servicers, and Ginnie Mae for single family issuers. Furthermore, refer to *Note 5, Borrowings* for additional information regarding compliance with all covenant requirements.

Minimum Net Worth

The minimum net worth requirement for Fannie Mae and Freddie Mac is defined as follows:

- Base of \$2,500 plus 25 basis points of outstanding UPB for total loans serviced.
- Adjusted/Tangible Net Worth comprises of total equity less goodwill, intangible assets, affiliate receivables and certain pledged assets.

The minimum net worth requirement for Ginnie Mae is defined as follows:

- Base of \$2,500 plus 35 basis points of the issuer’s total single-family effective outstanding obligations.
- Adjusted/Tangible Net Worth is defined as total equity less goodwill, intangible assets, affiliate receivables and certain pledged assets. Effective for fiscal year 2020, under the Ginnie Mae MBS Guide, the issuers will no longer be permitted to include deferred tax assets when computing the minimum net worth requirements.

Minimum Capital Ratio

- For Fannie Mae, Freddie Mac and Ginnie Mae the Company is also required to hold a ratio of Adjusted/Tangible Net Worth to Total Assets greater than 6%.

Minimum Liquidity

The minimum liquidity requirement for Fannie Mae and Freddie Mac is defined as follows:

- 3.5 basis points of total Agency servicing.
- Incremental 200 basis points of total nonperforming Agency, measured as 90+ delinquencies, servicing in excess of 6% of the total Agency servicing UPB.
- Allowable assets for liquidity may include: cash and cash equivalents (unrestricted), available for sale or held for trading investment grade securities (e.g., Agency MBS, Obligations of GSEs, US Treasury Obligations); and unused/available portion of committed servicing advance lines.

The minimum liquidity requirement for Ginnie Mae is defined as follows:

- Maintain liquid assets equal to the greater of \$1,000 or 10 basis points of our outstanding single-family MBS.

The most restrictive of the minimum net worth and capital requirements require the Company to maintain a minimum adjusted net worth balance of \$1,698,906 and \$1,179,928 as of June 30, 2020 and December 31, 2019, respectively. As of June 30, 2020 and December 31, 2019, the Company was in compliance with this requirement.

12. Segments

The Company's Chief Executive Officer, who has been identified as its Chief Operating Decision Maker ("CODM"), has evaluated how the Company views and measures its performance. ASC 280, *Segment Reporting* establishes the standards for reporting information about segments in financial statements. In applying the criteria set forth in that guidance, the Company has determined that it has two reportable segments—Direct to Consumer and Partner Network. The key factors used to identify these reportable segments are the organization and alignment of the Company's internal operations and the nature of its marketing channels which drive client acquisition into the mortgage ecosystem. This determination reflects how its CODM monitors performance, allocates capital and makes strategic and operational decisions. The Company's segments are described as follows:

Direct to Consumer

In the Direct to Consumer segment, clients have the ability to interact with the Rocket Mortgage app and/or with the Company's mortgage bankers. The Company markets to potential clients in this segment through various performance marketing channels. The Direct to Consumer segment derives revenue from originating, closing, selling and servicing predominantly agency-conforming loans, which are pooled and sold to the secondary market. This also includes providing title insurance services, appraisals and settlement services to these clients as part of the Company's end-to-end mortgage origination experience it provides to its clients. Servicing activities are fully allocated to the Direct to Consumer segment as they are viewed as an extension of the client experience with the primary objective being to establish and maintain positive, regular touchpoints with our clients, which positions the Company to recapture the clients' next refinance or purchase mortgage transaction. These activities position the Company to be the natural choice for clients' next refinance or purchase transaction.

Partner Network

The Rocket Pro platform supports the Partner Network segment and enables the ability to offer mortgage solutions with a superior client experience. The Company's two primary types of partnerships are marketing and influencer. Marketing partnerships consist of well-known, consumer-focused companies that find value in the Company's award-winning client experience and want to offer their clients mortgage solutions with our trusted, widely recognized brand. Influencer partnerships are typically with companies that employ licensed mortgage professionals who find value in our client experience, technology and efficient mortgage process. In some cases, mortgages are not their primary offering.

Other Information About Our Segments

The Company does not allocate assets to its reportable segments as they are not included in the review performed by the CODM for purposes of assessing segment performance and allocating resources. The balance sheet is managed on a consolidated basis and is not used in the context of segment reporting.

The Company also reports an "all other" category that includes operations from Rocket Homes, Rock Connections, Core Digital Media, Rocket Loans, and includes professional service fee revenues from related parties. These operations are neither significant individually nor in aggregate and therefore do not constitute a reportable segment.

Key operating data for our business segments for the three months ended:

Three Months Ended June 30, 2020	Direct to Consumer	Partner Network	Segments Total	All Other	Total
Revenues					
Gain on sale.....	\$ 4,020,492	\$ 734,662	\$ 4,755,154	\$ (1,570)	\$ 4,753,584
Interest income.....	51,012	26,376	77,388	651	78,039
Interest expense on funding facilities.....	(35,397)	(18,302)	(53,699)	(57)	(53,756)
Servicing fee income.....	248,873	—	248,873	969	249,842
Changes in fair value of MSR's.....	(552,843)	—	(552,843)	—	(552,843)
Other income.....	206,538	39,859	246,397	315,868	562,265
Total U.S. GAAP Revenue	\$ 3,938,675	\$ 782,595	\$ 4,721,270	\$ 315,861	\$ 5,037,131
Plus: Decrease in MSR's due to valuation assumptions.....	274,377	—	274,377	—	274,377
Adjusted revenue	\$ 4,213,052	\$ 782,595	\$ 4,995,647	\$ 315,861	\$ 5,311,508
Directly attributable expenses.....	948,900	139,140	1,088,040	128,463	1,216,503
Contribution margin	\$ 3,264,152	\$ 643,455	\$ 3,907,607	\$ 187,398	\$ 4,095,005

Six Months Ended June 30, 2020	Direct to Consumer	Partner Network	Segments Total	All Other	Total
Revenues					
Gain on sale.....	\$ 5,631,324	\$ 938,109	\$ 6,569,433	\$ 6,260	\$ 6,575,693
Interest income.....	98,322	51,947	150,269	1,812	152,081
Interest expense on funding facilities.....	(60,782)	(32,023)	(92,805)	(410)	(93,215)
Servicing fee income.....	504,863	—	504,863	2,072	506,935
Changes in fair value of MSR's.....	(1,544,095)	—	(1,544,095)	—	(1,544,095)
Other income.....	351,561	59,469	411,030	395,537	806,567
Total U.S. GAAP Revenue	\$ 4,981,193	\$ 1,017,502	\$ 5,998,695	\$ 405,271	\$ 6,403,966
Plus: Decrease in MSR's due to valuation assumptions.....	1,017,704	—	1,017,704	—	1,017,704
Adjusted revenue	\$ 5,998,897	\$ 1,017,502	\$ 7,016,399	\$ 405,271	\$ 7,421,670
Directly attributable expenses.....	1,729,520	231,084	1,960,604	176,750	2,137,354
Contribution margin	\$ 4,269,377	\$ 786,418	\$ 5,055,795	\$ 228,521	\$ 5,284,316

Three Months Ended June 30, 2019	Direct to Consumer	Partner Network	Segments Total	All Other	Total
Revenues					
Gain on sale.....	\$ 997,707	\$ 101,918	\$ 1,099,625	\$ 12,834	\$ 1,112,459
Interest income.....	38,930	21,842	60,772	813	61,585
Interest expense on funding facilities.....	(20,585)	(11,374)	(31,959)	(471)	(32,430)
Servicing fee income.....	240,002	—	240,002	253	240,255
Changes in fair value of MSR's.....	(598,262)	—	(598,262)	—	(598,262)
Other income.....	98,747	3,255	102,002	51,936	153,938
Total U.S. GAAP Revenue	\$ 756,539	\$ 115,641	\$ 872,180	\$ 65,365	\$ 937,545
Plus: Decrease in MSR's due to valuation assumptions.....	391,348	—	391,348	—	391,348
Adjusted revenue	\$ 1,147,887	\$ 115,641	\$ 1,263,528	\$ 65,365	\$ 1,328,893
Directly attributable expenses.....	606,186	59,131	665,317	49,808	715,125
Contribution margin	\$ 541,701	\$ 56,510	\$ 598,211	\$ 15,557	\$ 613,768

<u>Six Months Ended June 30, 2019</u>	<u>Direct to Consumer</u>	<u>Partner Network</u>	<u>Segments Total</u>	<u>All Other</u>	<u>Total</u>
Revenues					
Gain on sale	\$ 1,663,481	\$ 152,044	\$ 1,815,525	\$ 24,180	\$ 1,839,705
Interest income	73,330	33,878	107,208	1,429	108,637
Interest expense on funding facilities	(37,807)	(17,400)	(55,207)	(836)	(56,043)
Servicing fee income	463,345	—	463,345	1,516	464,861
Changes in fair value of MSR's	(1,073,963)	—	(1,073,963)	—	(1,073,963)
Other income	175,466	9,834	185,300	100,820	286,120
Total U.S. GAAP Revenue	\$ 1,263,852	\$ 178,356	\$ 1,442,208	\$ 127,109	\$ 1,569,317
Plus: Decrease in MSR's due to valuation assumptions					
	712,327	—	712,327	—	712,327
Adjusted revenue	\$ 1,976,179	\$ 178,356	\$ 2,154,535	\$ 127,109	\$ 2,281,644
Directly attributable expenses	1,150,475	102,119	1,252,594	90,915	1,343,509
Contribution margin	\$ 825,704	\$ 76,237	\$ 901,941	\$ 36,194	\$ 938,135

The following table represents a reconciliation of segment contribution margin to combined U.S. GAAP income before taxes for the three months ended:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Contribution margin, excluding change in MSR's due to valuation assumptions	\$ 4,095,005	\$ 613,768	\$ 5,284,316	\$ 938,135
Decrease in MSR's due to valuation assumptions	(274,377)	(391,348)	(1,017,704)	(712,327)
Contribution margin, including change in MSR's due to valuation assumptions	\$ 3,820,628	\$ 222,420	\$ 4,266,612	\$ 225,808
<i>Less expenses not allocated to segments:</i>				
Salaries, commissions and team member benefits	\$ 205,100	\$ 140,587	403,950	292,409
General and administrative expenses	90,231	85,223	188,991	184,332
Depreciation and amortization	16,189	17,687	32,304	35,792
Interest and amortization expense on non-funding debt	33,168	33,086	66,275	66,168
Other expenses	(5,940)	96	(4,804)	1,715
Income (loss) before income taxes	\$ 3,481,880	\$ (54,259)	\$ 3,579,896	\$ (354,608)

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management’s discussion and analysis of our financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by reference to, our condensed combined financial statements and the related notes and other information included elsewhere in this Quarterly Report on Form 10-Q (the “Form 10-Q”) and our audited combined financial statements included in our final prospectus filed with the Securities and Exchange Commission (the “SEC”) pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on August 7, 2020 (the “Prospectus”). This discussion and analysis contains forward-looking statements that involve risks and uncertainties which could cause our actual results to differ materially from those anticipated in these forward-looking statements, including, but not limited to, risks and uncertainties discussed under the heading “Special Note Regarding Forward-Looking Statements,” and in Part II. Item 1A. “Risk Factors” and elsewhere in this Form 10-Q and in our Prospectus.

Special Note Regarding Forward-Looking Statements

This Form 10-Q contains forward-looking statements, which involve risks and uncertainties. These forward-looking statements are generally identified by the use of forward-looking terminology, including the terms “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” “would” and, in each case, their negative or other various or comparable terminology. All statements other than statements of historical facts contained in this Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth are forward-looking statements. As you read this Form 10-Q, you should understand that these statements are not guarantees of performance or results. They involve known and unknown risks, uncertainties and assumptions, including those described under the heading “Risk Factors” in our Prospectus. Although we believe that these forward-looking statements are based upon reasonable assumptions, you should be aware that many factors, including those described under the heading “Risk Factors” in our Prospectus, could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements.

Our forward-looking statements made herein are made only as of the date of this Form 10-Q. We expressly disclaim any intent, obligation or undertaking to update or revise any forward-looking statements made herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this Form 10-Q.

Executive Summary

We are a Detroit-based company consisting of tech-driven real estate, mortgage and financial service businesses. We are obsessed with helping our clients achieve the American dream of home ownership and financial freedom. Our flagship business, Rocket Mortgage, almost exclusively offers GSE-conforming and government insured mortgage loan products, which are marketed in all 50 states through the internet, national television and other marketing channels. In addition to our mortgage business, we have expanded into complementary industries, such as real estate, personal lending, and auto sales. Our ecosystem is a series of connected businesses centered on delivering better solutions to our clients through our technology and scale. We believe this creates substantial growth opportunities doing “Business.”

Recent Developments

Business Update in Response to Covid- 19 Impact

As of June 30, 2020, clients that have entered into a forbearance plan related to COVID-19 was 98,000 or 5.1% of the total serviced portfolio. Since the end of the second quarter, we’ve seen positive developments in the number of clients entering into forbearance and as of August 31, 2020, the total number of clients in a forbearance plan related to COVID-19 was 96,000 or 4.7% of the portfolio. For more information about our response to the COVID pandemic, see the “Prospectus Summary—Recent Developments” section of our Prospectus.

Three months ended June 30, 2020 summary

For the three months ended June 30, 2020, we originated \$72.3 billion in residential mortgage loans, which was a \$40.4 billion, or 126.3%, increase from the three months ended June 30, 2019. Our net income was \$3,461.2 million for the

three months ended June 30, 2020, compared to a net loss of \$54.0 million for the three months ended June 30, 2019. Results for the three months ended June 30, 2019 include a \$391.3 million decrease in fair value of MSRs due to valuation assumptions. We generated \$3,836.9 million of Adjusted EBITDA for the three months ended June 30, 2020, which was an increase of \$3,440.6 million, or 868.2%, compared to \$396.3 million for the three months ended June 30, 2019. For more information on Adjusted EBITDA, please see “—Non-GAAP Financial Measures” below.

The increase in net income and Adjusted EBITDA was primarily driven by an increase of \$3,641.1 million, or 327.3% in gain on sale of loans, net which was driven primarily by the increase in origination volume in 2020 noted above. Other income also increased \$408.3 million, or 265.3%, due primarily to revenues generated from Amrock's title insurance services, property valuation and settlement services that were also driven by the increase in origination volume noted above and revenues earned at Rocket Loans from processing 7.4 million unique loan recommendations through the economic injury disaster loans program offered by the Small Business Administration in response to the COVID-19 pandemic, which is not expected to continue in future quarters. These increases were partially offset by an increase in collection/realization of cash flows from MSRs of \$71.6 million, or 34.6%, which is a reduction in revenue primarily due to an increase in the volume of loans paid in full prior to their scheduled maturity from our servicing book (referred to as ‘prepayment speed’) in 2020 as compared to 2019. In addition, 2020 results include increased expenses associated with higher production levels as compared to 2019 results. The increase in production led to an increase in salaries, commissions and team member benefits of \$367.0 million, or 75.4%, primarily due to variable compensation and an increase in team members in production roles to support our continued growth. General and administrative costs also increased by \$123.2 million, or 74.5%, in 2020 as compared to 2019 driven primarily by higher loan processing expenses due to increased production as well as expenses associated with supporting the increased revenues from Rocket Loans noted above. Other expenses increased by \$119.8 million, or 152.4%, in 2020 as compared to 2019 driven by expenses incurred to support the higher level of title insurance services, property valuation and settlement services due to the increased origination volumes noted above. Other expenses also increased due to an increase in payoff interest expense that resulted from an increase in the volume of loans paid in full prior to their scheduled maturity from our servicing book. When individual loans are paid off, we are required to remit interest for an entire month regardless of the date of payoff; however, clients are only responsible for interest accrued up to the date of payoff. The difference between the interest we are required to remit to investors and the interest we collect from the client as a result of an early payoff is referred to as “payoff interest”.

We retain a majority of the servicing rights associated with our mortgage loan originations. The servicing portfolio is an important asset that helps us build longstanding relationships with our clients and potentially capture future transactions such as their next mortgage origination. We monitor the MSR portfolio on a regular basis seeking to optimize our book by evaluating the risk and return profile of the book. We did not sell any MSR assets during the three-months ended June 30, 2020. As of June 30, 2020, our servicing portfolio, including loans subserviced for others, included approximately \$378.2 billion of UPB and 1.9 million client loans. The portfolio primarily consists of high quality performing GSE and government (FHA and VA) loans. As of June 30, 2020, we had approximately 98,000 clients on forbearance plans, which represents approximately 5.1% of our total client serviced loans portfolio. Our delinquent loans (defined as 60-plus days past-due) were 3.71% of our total portfolio. Excluding clients in forbearance plans, our delinquent loans (defined as 60-plus days past-due) were 0.65% as of June 30, 2020.

Six months ended June 30, 2020 summary

For the six months ended June 30, 2020, we originated \$124.0 billion in residential mortgage loans, which was a \$69.7 billion, or 128.5%, increase from the six months ended June 30, 2019. Our net income was \$3,558.5 million for the six months ended June 30, 2020, compared to a net loss of \$353.3 million for the six months ended June 30, 2019. Results for the six months ended June 30, 2019 include a \$712.3 million decrease in fair value of MSRs due to valuation assumptions, which resulted in a net loss for the period. We generated \$4,756.5 million of Adjusted EBITDA for the six months ended June 30, 2020, which was an increase of \$4,279.8 million, or 898.0%, compared to \$476.6 million for the six months ended June 30, 2019. For more information on Adjusted EBITDA, please see “—Non-GAAP Financial Measures” below.

The increase in net income and Adjusted EBITDA was primarily driven by an increase of \$4,736.0 million, or 257.4% in gain on sale of loans, net which was driven primarily by the increase in origination volume in 2020 noted above. Other income also increased \$520.4 million, or 181.9%, due primarily to revenues generated from Amrock's title insurance services, property valuation and settlement services that were also driven by the increase in origination volume noted above and revenues earned at Rocket Loans from processing 7.4 million unique loan recommendations through the economic injury disaster loans program offered by the Small Business Administration in response to the COVID-19 pandemic, which is not expected to continue in future quarters. These increases were partially offset by an increase in collection/realization of cash flows from MSRs of \$164.8 million, or 45.6%, which is a reduction in revenue primarily due to an increase in the volume of loans paid in full prior to their scheduled maturity from our servicing book (referred to as ‘prepayment speed’) in 2020 as

compared to 2019. In addition, 2020 results include increased expenses associated with higher production levels as compared to 2019 results. The increase in production led to an increase in salaries, commissions and team member benefits of \$592.7 million, or 62.7%, primarily due to variable compensation and an increase in team members in production roles to support our continued growth. General and administrative costs also increased by \$150.9 million, or 45.6%, in 2020 as compared to 2019 driven primarily by higher loan processing expenses due to increased production as well as expenses associated with the increased revenues from Rocket Loans noted above. Other expenses increased by \$195.7 million, or 135.8%, in 2020 as compared to 2019 driven by expenses incurred to support the higher level of title insurance services, property valuation and settlement services due to the increased origination volumes noted above. Other expenses also increased due to an increase in payoff interest expense that resulted from an increase in the volume of loans paid in full prior to their scheduled maturity from our servicing book and due to expenses incurred in connection with the sale of MSR's in 2020.

As noted above, we monitor the MSR portfolio on a regular basis seeking to optimize our book by evaluating the risk and return profile of the book. As part of these efforts we sold the servicing on approximately 44,000 loans with \$16.3 billion in UPB during the six months ended June 30, 2020. These sales were more than offset by new loans that were added to the MSR portfolio during the period.

Non-GAAP Financial Measures

To provide investors with information in addition to our results as determined by GAAP, we disclose Adjusted Revenue, Adjusted Net Income, and Adjusted EBITDA as non-GAAP measures which management believes provide useful information to investors. These measures are not financial measures calculated in accordance with GAAP and should not be considered as a substitute for revenue, net income, or any other operating performance measure calculated in accordance with GAAP, and may not be comparable to a similarly titled measure reported by other companies.

We define "Adjusted Revenue" as total revenues net of the change in fair value of mortgage servicing rights ("MSR's") due to valuation assumptions. We define "Adjusted Net Income" as tax-effected earnings before stock-based compensation expense and the change in fair value of MSR's due to valuation assumptions, and the tax effects of those adjustments. We define "Adjusted EBITDA" as earnings before interest and amortization expense on non-funding debt, income tax, and depreciation and amortization, net of the change in fair value of MSR's due to valuation assumptions (net of hedges) and stock-based compensation expense. We exclude from each of these non-GAAP revenues the change in fair value of MSR's due to valuation assumptions (net of hedges) as this represents a non-cash non-realized adjustment to our total revenues, reflecting changes in assumptions including discount rates and prepayment speed assumptions, mostly due to changes in market interest rates, which is not indicative of our performance or results of operation. Adjusted EBITDA includes interest expense on funding facilities, which are recorded as a component of "interest income, net", as these expenses are a direct cost driven by loan origination volume. By contrast, interest and amortization expense on non-funding debt is a function of our capital structure and is therefore excluded from Adjusted EBITDA.

We believe that the presentation of Adjusted Revenue, Adjusted Net Income and Adjusted EBITDA provides useful information to investors regarding our results of operations because each measure assists both investors and management in analyzing and benchmarking the performance and value of our business. Adjusted Revenue, Adjusted Net Income and Adjusted EBITDA provide indicators of performance that are not affected by fluctuations in certain costs or other items. Accordingly, management believes that these measurements are useful for comparing general operating performance from period to period, and management relies on these measures for planning and forecasting of future periods. Additionally, these measures allow management to compare our results with those of other companies that have different financing and capital structures. However, other companies may define Adjusted Revenue, Adjusted Net Income and Adjusted EBITDA differently, and as a result, our measures of Adjusted Revenue, Adjusted Net Income and Adjusted EBITDA may not be directly comparable to those of other companies.

Although we use Adjusted Revenue, Adjusted Net Income and Adjusted EBITDA as financial measures to assess the performance of our business, such use is limited because they do not include certain material costs necessary to operate our business. Additionally, our definitions of each of Adjusted Revenue, Adjusted Net Income and Adjusted EBITDA allows us to add back certain non-cash charges and deduct certain gains that are included in calculating total revenues, net, net income attributable to Rocket Companies or net income (loss). However, these expenses and gains vary greatly, and are difficult to predict. They can represent the effect of long-term strategies as opposed to short-term results. Adjusted Revenue, Adjusted Net Income and Adjusted EBITDA should be considered in addition to, and not as a substitute for, total revenues, net income attributable to Rocket Companies and net income (loss) in accordance with U.S. GAAP as measures of performance. Our presentation of Adjusted Revenue, Adjusted Net Income and Adjusted EBITDA should not be construed as an indication that our future results will be unaffected by unusual or nonrecurring items.

Adjusted Revenue, Adjusted Net Income and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

- (a) they do not reflect every cash expenditure, future requirements for capital expenditures or contractual commitments;
- (b) Adjusted EBITDA does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payment on our debt;
- (c) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced or require improvements in the future, and Adjusted Revenue, Adjusted Net Income and Adjusted EBITDA do not reflect any cash requirement for such replacements or improvements; and
- (d) they are not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows.

Because of these limitations, Adjusted Revenue, Adjusted Net Income and Adjusted EBITDA are not intended as alternatives to total revenue, net income attributable to Rocket Companies or net income (loss) as an indicator of our operating performance and should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. We compensate for these limitations by using Adjusted Revenue, Adjusted Net Income and Adjusted EBITDA along with other comparative tools, together with U.S. GAAP measurements, to assist in the evaluation of operating performance. See below for reconciliation of these non-GAAP measures to their most comparable U.S. GAAP measures. Additionally, our U.S. GAAP-based measures can be found in the combined financial statements and related notes included elsewhere in this Form 10-Q.

Reconciliation of Adjusted Revenue to Total Revenue, net

Reconciliation of Adjusted Revenue to Total Revenue, net (\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Total Revenue, net	\$ 5,037,131	\$ 937,545	\$6,403,966	\$ 1,569,317
Change in fair value of MSRs due to valuation assumptions (net of hedges)(1).....	274,377	391,348	1,017,704	712,327
Adjusted Revenue.....	<u>\$ 5,311,508</u>	<u>\$ 1,328,893</u>	<u>\$7,421,670</u>	<u>\$ 2,281,644</u>

- (1) Reflects changes in assumptions including discount rates and prepayment speed assumptions, mostly due to changes in market interest rates.

Reconciliation of Adjusted Net Income to Net Income Attributable to Rocket Companies

Reconciliation of Adjusted Net Income to Net Income Attributable to Rocket Companies (\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income (loss) attributable to Rocket Companies...	\$ 3,461,647	\$ (53,651)	\$ 3,559,368	\$ (352,669)
Adjustment to the (provision for) benefit from income tax(1).....	(841,901)	12,916	(865,553)	86,227
Tax-effected net income (loss)(1).....	\$ 2,619,746	\$ (40,735)	\$ 2,693,815	\$ (266,442)
Non-cash stock compensation expense.....	31,254	8,459	60,312	16,965
Change in fair value of MSR's due to valuation assumptions (net of hedges)(2).....	274,377	391,348	1,017,704	712,327
Tax impact of adjustments(3).....	(75,705)	(99,032)	(267,025)	(180,645)
Adjusted Net Income.....	\$ 2,849,672	\$ 260,040	\$ 3,504,806	\$ 282,205

- (1) Rocket Companies will be subject to U.S. Federal income taxes, in addition to state, local and Canadian taxes with respect to its allocable share of any net taxable income of RKT Holdings, LLC ("Holdings"). The adjustment to the provision for income tax reflects the effective tax rates below, assuming the Issuer owns 100% of the non-voting common interest units of Holdings.

	June 30,	
	2020	2019
Statutory U.S. Federal Income Tax Rate.....	21.00%	21.00%
Canadian taxes.....	0.01%	0.01%
State and Local Income Taxes (net of federal benefit).....	3.76%	3.76%
Effective Income Tax Rate	24.77%	24.77%

- (2) Reflects changes in assumptions including discount rates and prepayment speed assumptions, mostly due to changes in market interest rates.
- (3) Tax impact of adjustments gives effect to the income tax related to non-cash stock compensation expense and change in fair value of MSR's due to valuation assumptions at the above described effective tax rates for each year.

Reconciliation of Adjusted EBITDA to Net Income

Reconciliation of Adjusted EBITDA to Net Income (\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income (loss)	\$ 3,461,211	\$ (53,976)	\$ 3,558,491	\$ (353,321)
Interest and amortization expense on non- funding debt.....	33,168	33,086	66,275	66,168
Income tax provision (benefit).....	20,669	(283)	21,405	(1,287)
Depreciation and amortization.....	16,189	17,687	32,304	35,792
Non-cash stock compensation expense.....	31,254	8,459	60,312	16,965
Change in fair value of MSR's due to valuation assumptions (net of hedges)(1).....	274,377	391,348	1,017,704	712,327
Adjusted EBITDA.....	\$ 3,836,868	\$ 396,321	\$ 4,756,491	\$ 476,644

- (1) Reflects changes in assumptions including discount rates and prepayment speed assumptions, mostly due to changes in market interest rates.

Key Performance Indicators

We monitor a number of key performance indicators to evaluate the performance of our business operations. Our loan production key performance indicators enable us to monitor our ability to generate gain on sale revenue as well as understand how our performance compares to the total mortgage origination market. Our servicing portfolio key performance indicators enable us to monitor the overall size of our servicing book of business, the related value of our mortgage servicing rights, and the health of the business as measured by the average MSR delinquency rate. Other key performance indicators for other Rocket Companies allow us to monitor both revenues and unit sales generated by these businesses. We also include Rockethomes.com average unique monthly visits, as we believe traffic on the site is an indicator of consumer interest.

The following summarizes key performance indicators of the business:

(Units and \$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Rocket Mortgage(1)				
Loan Production Data				
Closed loan origination volume	\$ 72,323,981	\$ 31,961,461	\$ 124,027,813	\$ 54,280,252
Direct to Consumer origination volume	45,792,369	19,911,116	77,552,097	35,328,853
Partner Network origination volume	26,531,612	12,050,345	46,475,716	18,951,399
Total Market Share	7.79 %	6.05 %	8.32 %	6.57 %
Gain on sale margin(2)	5.19 %	3.23 %	4.45 %	2.97 %
Servicing Portfolio Data				
Total serviced UPB (includes subserviced)	\$ 378,156,838	\$ 338,742,098	\$ 378,156,838	\$ 338,742,098
Total loans serviced (includes subserviced)	1,930.1	1,822.3	1,930.1	1,822.3
MSR fair value multiple(3)	2.13	2.95	2.13	2.95
Total serviced delinquency rate, excluding loans in forbearance (60+)	0.65 %	0.72 %	0.65 %	0.72 %
Total serviced MSR delinquency rate (60+)	3.71 %	0.72 %	3.71 %	0.72 %
Other Rocket Companies				
Amrock settlement transactions	240.4	88.8	406.3	162.7
Rocket Homes real estate transactions	7.0	8.8	13.0	14.8
Rockethomes.com average unique monthly visits(4)	359.7	171.8	315.5	100.9
Rocket Loans closed units(5)	1.5	6.5	5.4	11.0
Rocket Auto car sales	6.4	3.8	14.6	7.3
Core Digital Media client inquiries generated	1,261	1,486	2,680	3,223
Total Other Rocket Companies gross revenue	\$ 626,560	\$ 216,632	\$ 929,202	\$ 416,611
Total Other Rocket Companies net revenue(6)	\$ 553,868	\$ 149,782	\$ 779,651	\$ 274,885

- (1) Rocket Mortgage origination volume, market share, and margins exclude all reverse mortgage activity.
- (2) Gain on sale margin is the gain on sale of loans, net divided by net rate lock volume for the period, excluding all reverse mortgage activity. Gain on sale of loans, net includes the net gain on sale of loans, fair value of originated MSRs, and fair value adjustment on loans held for sale, divided by the UPB of loans subject to IRLC's during the applicable period.
- (3) MSR fair market value multiple is a metric used to determine the relative value of the MSR asset in relation to the annualized retained servicing fee, which is the cash that the holder of the MSR asset would receive from the portfolio as of such date. It is calculated as the quotient of (a) the MSR fair market value as of a specified date divided by (b) the weighted average annualized retained servicing fee for our MSR portfolio as of such date. The weighted average annualized retained servicing fee for our MSR portfolio was 0.310% and 0.303% for the three months ended June 30, 2020 and 2019, respectively. The vast majority of our portfolio consists of originated MSRs and consequently, the impact of purchased MSRs does not have a material impact on our weighted average service fee.

- (4) Rockethomes.com average unique monthly visits is calculated by a third party service that monitors website activity. This metric does not have a direct correlation to revenues and is used primarily to monitor consumer interest in the Rockethomes.com site.
- (5) In addition to the closed loans Rocket Loans disclosed here, as noted above, during the three and six months ended June 30, 2020, we also processed more than 7.4 million unique loan recommendations through the economic injury disaster loans program offered by the Small Business Administration.
- (6) Net revenue presented above is calculated as gross revenues less intercompany revenue eliminations. A significant portion of the other Rocket Companies revenues is generated through intercompany transactions. These intercompany transactions take place with entities that are part of our ecosystem. Consequently, we view gross revenue of individual other Rocket Companies as a key performance indicator, and we consider net revenue of other Rocket Companies on a combined basis.

Description of Certain Components of Financial Data

Components of revenue

Our sources of revenue include gain on sale of loans, loan servicing income, interest income, and other income.

Gain on sale of loans, net

Gain on sale of loans, net includes all components related to the origination and sale of mortgage loans, including (1) net gain on sale of loans, which represents the premium we receive in excess of the loan principal amount and certain fees charged by investors upon sale of loans into the secondary market, (2) loan origination fees, credits, points and certain costs, (3) provision for or benefit from investor reserves, (4) the change in fair value of interest rate locks (“IRLCs” or “rate lock”) and loans held for sale, (5) the gain or loss on forward commitments hedging loans held for sale and IRLCs, and (6) the fair value of originated MSR.

An estimate of the gain on sale of loans, net is recognized at the time an IRLC is issued, net of an estimated pull-through factor. The pull-through factor is a key assumption and estimates the loan funding probability, as not all loans that reach IRLC status will result in a closed loan. Subsequent changes in the fair value of IRLCs and mortgage loans held for sale are recognized in current period earnings. When the mortgage loan is sold into the secondary market (i.e., funded), any difference between the proceeds received and the current fair value of the loan is recognized in current period earnings in gain on sale of loans.

Loan origination fees generally include underwriting and processing fees. Loan origination costs include lender paid mortgage insurance, recording taxes, investor fees and other related expenses. Net loan origination fees and costs related to the origination of mortgage loans are recognized as a component of the fair value of IRLCs.

We establish reserves for our estimated liabilities associated with the potential repurchase or indemnity of purchasers of loans previously sold due to representation and warranty claims by investors. Additionally, the reserves are established for the estimated liabilities from the need to repay, where applicable, a portion of the premium received from investors on the sale of certain loans if such loans are repaid in their entirety within a specified time period after the sale of the loans. The provision for or benefit from investor reserves is recognized in current period earnings in gain on sale of loans.

We enter into derivative transactions to protect against the risk of adverse interest rate movements that could impact the fair value of certain assets, including IRLCs and loans held for sale. We primarily use forward loan sales commitments to hedge our interest rate risk exposure. Changes in the value of these derivatives, or hedging gains and losses, are included in gain on sale of loans.

Included in gain on sale of loans, net is also the fair value of originated MSR, which represents the estimated fair value of MSR related to loans which we have sold and retained the right to service.

Loan servicing (loss) income, net

The value of newly originated MSR is recognized as a component of the gain on sale of loans, net when loans are sold and the associated servicing rights are retained. Loan servicing fee income consists of the contractual fees earned for servicing the loans and includes ancillary revenue such as late fees and modification incentives. Loan servicing fee income is recorded to income as earned, which is upon collection of payments from borrowers. We have elected to subsequently measure the MSR at fair value on a recurring basis. Changes in fair value of MSR, net primarily due to the realization of expected cash flows and/or changes in valuation inputs and estimates, are recognized in current period earnings. Furthermore, we also include in loan servicing (loss) income, net the gains and losses related to MSR collateral financing liability and MSR financing liability.

We regularly perform a comprehensive analysis of the MSR portfolio in order to identify and sell certain MSR that do not align with our strategy for retaining MSR. To hedge against interest rate exposure on these assets, we enter into forward loan purchase commitments. Changes in the value of derivatives designed to protect against MSR value fluctuations, or MSR hedging gains and losses, are included as a component of servicing fee loss, net.

Interest income, net

Interest income, net is interest earned on mortgage loans held for sale net of the interest expense paid on our loan funding facilities.

Other income

Other income includes revenues generated from Amrock (title insurance services, property valuation, and settlement services), Rocket Homes (real estate network referral fees), Rocket Auto (auto sales business revenues), Core Digital Media (third party lead generation revenues), Rock Connections (third party sales and support revenues), and professional service fees. The professional service fees represent amounts paid for services provided by Rocket Mortgage to affiliated companies. For additional information on such fees, see “*Certain Relationships and Related Party Transactions—Transactions with RHI and other Related Parties*” and *Note 6, Transactions with Related Parties* in the notes to the annual combined financial statements included elsewhere in this prospectus for additional detail. Services are provided primarily in connection with technology, facilities, human resources, accounting, training, and security functions. Other income also includes revenues from investment interest income.

Components of operating expenses

Our operating expenses as presented in the condensed statement of operations data include salaries, commissions and team member benefits, general and administrative expenses, marketing and advertising expenses, and other expenses.

Salaries, commissions and team member benefits

Salaries, commissions and team member benefits include all payroll, benefits, and stock compensation expenses for our team members.

General and administrative expenses

General and administrative expenses primarily include occupancy costs, professional services, loan processing expenses on loans that do not close or that are not charged to clients on closed loans, commitment fees, fees on loan funding facilities, license fees, office expenses and other operating expenses.

Marketing and advertising expenses

Marketing and advertising expenses are primarily related to performance and brand marketing.

Other expenses

Other expenses primarily consist of depreciation and amortization on property and equipment, mortgage servicing related expenses, and state and local income taxes.

Income taxes

Our Combined Businesses include C corporations that have elected to be treated as Subchapter S subsidiary corporations or single member limited liability companies, both of which are disregarded for federal income tax purposes. The RHI shareholders are responsible for the federal income tax liabilities of RHI and the Combined Businesses. Therefore, no provision for federal income taxes is reflected in the historical financial statements.

Provision for income taxes in the combined financial statements are computed using the liability method. Under this method, deferred income taxes are provided for differences between the financial accounting and income tax basis of assets and liabilities. In assessing the need for a valuation allowance, both positive and negative evidence related to the likelihood of realization of the deferred tax assets is considered. If, based on the weight of the available evidence, it is more likely than not that the deferred tax assets will not be realized, a valuation allowance is recorded. Refer to *Note 8, Income Taxes* of the notes to the interim condensed combined financial statements of this Form 10-Q for further information.

In connection with the completion of this offering and as a result of the reorganization transactions as described in *Note 1, Business, Basis of Presentation, and Accounting Policies* of the notes to the interim condensed combined financial statements of this Form 10-Q, we will become subject to U.S. federal and certain state taxes applicable to entities treated as corporations for U.S. federal income tax purposes on taxable income attributable to the Company's interest in Holdings.

Stock-based compensation

Stock-based compensation is comprised of both equity and liability awards and is measured and expensed accordingly under Accounting Standards Codification ("ASC") 718 *Compensation—Stock Compensation*. As indicated above, stock-based compensation expense is included as part of salaries, benefits and team member benefits.

Non-Controlling Interest

Our historical financial statements include a non-controlling interest reported since 2018 related to a minority interest in one of our subsidiaries.

In connection with the reorganization transactions, we will be appointed as the sole managing member of Holdings pursuant to Holdings' limited liability company agreement. Because we will manage and operate the business and control the strategic decisions and day-to-day operations of Holdings and will also have a substantial financial interest in Holdings, we will consolidate the financial results of Holdings, and a portion of our net income (loss) will be allocated to the non-controlling interest to reflect the entitlement of RHI and Dan Gilbert to Holdings' net income (loss). We will hold approximately 5% of the outstanding Holdings Units (or approximately 6% of the outstanding Holdings Units if the underwriters exercise their option to purchase additional shares in full), and the remaining Holdings Units will be held by RHI and Dan Gilbert.

Results of Operations for the Three and Six Months Ended June 30, 2020 and 2019

Summary of Operations

Condensed Statement of Operations Data (\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue				
Gain on sale of loans, net	\$ 4,753,584	\$ 1,112,459	\$ 6,575,693	\$ 1,839,705
Servicing fee income	249,842	240,255	506,935	464,861
Change in fair value of MSR's	(552,843)	(598,262)	(1,544,095)	(1,073,963)
Interest income, net	24,283	29,155	58,866	52,594
Other income	562,265	153,938	806,567	286,120
Total revenue, net	5,037,131	937,545	6,403,966	1,569,317
Expenses				
Salaries, commissions and team member benefits	853,750	486,768	1,537,200	944,546
General and administrative expenses	288,494	165,343	482,060	331,182
Marketing and advertising expenses	202,198	227,764	420,190	436,661
Interest and amortization expense on non-funding-debt	33,168	33,086	66,275	66,168
Other expenses	198,310	78,560	339,750	144,081
Total expenses	1,575,920	991,521	2,845,475	1,922,638
Net income (loss)	\$ 3,461,211	\$ (53,976)	\$ 3,558,491	\$ (353,321)
Net loss attributable to non-controlling interest	436	325	877	652
Net income (loss) attributable to Rocket Companies	\$ 3,461,647	\$ (53,651)	\$ 3,559,368	\$ (352,669)

Gain on sale of loans, net

The components of gain on sale of loans for the periods presented were as follows:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net gain on sale of loans(1)	\$ 3,087,003	\$ 673,922	\$ 4,499,134	\$ 1,144,725
Fair value of originated MSR's	669,923	445,663	1,205,342	742,335
Benefit from (provision for) investor reserves	(7,787)	1,145	(9,363)	652
Fair value adjustment gain on loans held for sale and IRLCs	1,458,540	189,837	2,393,868	351,750
Revaluation loss from forward commitments economically hedging loans held for sale and IRLCs	(454,095)	(198,108)	(1,513,288)	(399,757)
Gain on sale of loans, net	\$ 4,753,584	\$ 1,112,459	\$ 6,575,693	\$ 1,839,705

(1) Net gain on sale of loans represents the premium received in excess of the UPB, plus net origination fees.

The table below provides details of the characteristics of our mortgage loan production for each of the periods presented:

(\$ in thousands) Loan origination volume by type	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Conventional Conforming	\$58,938,294	\$23,541,408	\$96,853,180	\$40,650,901
FHA/VA	11,014,894	6,684,101	21,803,679	10,841,892
Non Agency	2,370,793	1,735,951	5,370,955	2,787,458
Total mortgage loan origination volume	\$72,323,981	\$31,961,460	\$124,027,814	\$54,280,251
Portfolio metrics				
Average loan amount	\$ 274	\$ 259	\$ 275	\$ 249
Weighted average loan-to-value ratio	70.64 %	76.26 %	71.60 %	75.76 %
Weighted average credit score	754	730	751	732
Weighted average loan rate	3.22 %	4.35 %	3.36 %	4.46 %
Percentage of loans sold				
To GSEs and government	93.87 %	90.08 %	93.09 %	90.96 %
To other counterparties	6.13 %	9.92 %	6.91 %	9.04 %
Servicing-retained	94.23 %	94.30 %	94.76 %	95.69 %
Servicing-released	5.77 %	5.70 %	5.24 %	4.31 %
Net rate lock volume(1)	\$91,977,659	\$34,109,288	\$148,027,603	\$61,255,027
Gain on sale margin(2)	5.19 %	3.23 %	4.45 %	2.97 %

- (1) Net rate lock volume includes the UPB of loans subject to IRLCs, net of the pull-through factor as described in the “—Description of Certain Components of Financial Data” section above.
- (2) Gain on sale margin is a ratio of gain on sale of loans, net to the net rate lock volume for the period as described above. Gain on sale of loans, net includes the net gain on sale of loans, fair value of originated MSR, fair value adjustment gain on loans held for sale and IRLC’s, and revaluation loss from forward commitments economically hedging loans held for sale and IRLCs. This metric is a measure of profitability for our on-going mortgage business and therefore excludes revenues from other Rocket Companies and reverse mortgage activity. See the table above for each of the components of gain on sale of loans, net.

Gain on sale of loans, net was \$4,753.6 million for the three months ended June 30, 2020, an increase of \$3,641.1 million, or 327.3%, as compared with \$1,112.5 million for the three months ended June 30, 2019. The increase in gain on sale of loans, net was primarily driven by an increase in mortgage loan origination volume of \$40.4 billion, or 126.3%. The increase also reflects an increase in gain on sale margin from 3.23% to 5.19%, reflecting strong consumer demand for mortgages.

Gain on sale of loans, net was \$6,575.7 million for the six months ended June 30, 2020, an increase of \$4,736.0 million, or 257.4%, as compared with \$1,839.7 million for the six months ended June 30, 2019. The increase in gain on sale of loans, net was primarily driven by increases in mortgage loan origination volume of \$69.7 billion, or 128.5%. The increase also reflects an increase in gain on sale margin from 2.97% to 4.45%, reflecting strong consumer demand for mortgages.

Net gain on sales of loans increased \$2,413.1 million, or 358.1%, to \$3,087.0 million in the three months ended June 30, 2020 compared to \$673.9 million in the three months ended June 30, 2019. This was driven by increased mortgage loan origination volume and increase in gain on sale margin noted above.

Net gain on sales of loans increased \$3,354.4 million, or 293.0%, to \$4,499.1 million in the six months ended June 30, 2020 compared to \$1,144.7 million in the six months ended June 30, 2019. This was driven by increased mortgage loan origination volume and increase in gain on sale margin noted above.

The fair value of MSR originated was \$669.9 million for the three months ended June 30, 2020, an increase of \$224.2 million, or 50.3%, as compared with \$445.7 million during the three months ended June 30, 2019. The increase was primarily due to an increase funded loan volume of \$39.6 billion, or 130.6%, from \$30.5 billion for the three months ended

June 30, 2019 to \$70.3 billion for the three months ended June 30, 2020. The increase in funded loan volume was partially offset as we retained a lower amount of excess servicing on new MSR's during the second quarter of 2020 as compared to the second quarter of 2019.

The fair value of MSR's originated was \$1,205.3 million for the six months ended June 30, 2020, an increase of \$463.0 million, or 62.4%, as compared with \$742.3 million during the six months ended June 30, 2019. The increase was primarily due to an increase funded loan volume of \$70.9 billion, or 140.8%, from \$50.4 billion for the six months ended June 30, 2019 to \$121.3 billion for the six months ended June 30, 2020. The increase in funded loan volume was partially offset as we retained a lower amount of excess servicing on new MSR's during the six months ended June 30, 2020 as compared to the six months ended June 30, 2019.

Gain on sale of loans, net also includes unrealized gains and losses from the fair value changes in mortgage loans held for sale and IRLC's as well as realized and unrealized gains and losses from forward commitments used to hedge the loans held for sale and IRLC's. The net gain from these fair value changes was \$1,004.4 million for the three months ended June 30, 2020, compared to a net loss of \$8.3 million for the three months ended June 30, 2019 driven by changes in interest rates and loan volume. The net gain from these fair value changes was \$880.6 million for the six months ended June 30, 2020, compared to a net loss of \$48.0 million for the six months ended June 30, 2019 driven by changes in interest rates and loan volume.

Loan servicing loss, net

For the periods presented, loan servicing loss, net consisted of the following:

<u>(\$ in thousands)</u>	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Retained servicing fee.....	\$ 244,125	\$ 231,604	\$ 491,727	\$ 446,946
Subservicing income.....	1,963	1,551	3,555	3,131
Ancillary income.....	3,754	7,100	11,653	14,784
Servicing fee income.....	249,842	240,255	506,935	464,861
Change in valuation model inputs or assumptions.....	(272,885)	(391,348)	(1,078,421)	(712,327)
Change in fair value of MSR hedge.....	(1,491)	—	60,718	—
Collection / realization of cash flows.....	(278,467)	(206,914)	(526,392)	(361,636)
Change in fair value of MSR's.....	(552,843)	(598,262)	(1,544,095)	(1,073,963)
Loan servicing loss, net.....	\$ (303,001)	\$ (358,007)	\$ (1,037,160)	\$ (609,102)

(\$ in thousands)	June 30,	
	2020	2019
MSR UPB of loans serviced	\$346,870,713	\$318,751,939
Number of MSR loans serviced	1,818,462	1,737,598
UPB of loans subserviced and temporarily serviced	\$ 31,286,125	\$ 19,990,159
Number of loans subserviced and temporarily serviced	111,670	84,717
Total serviced UPB	\$378,156,838	\$338,742,098
Total loans serviced	1,930,132	1,822,315
MSR fair value	\$ 2,289,209	\$ 2,848,902
Total serviced delinquency rate, excluding loans in forbearance (60+)	0.65 %	0.72 %
Total serviced delinquency count (60+) as % of total	3.71 %	0.72 %
Weighted average credit score	736	729
Weighted average LTV	74.47 %	76.96 %
Weighted average loan rate	3.88 %	4.18 %
Weighted average service fee	0.31 %	0.30 %

Loan servicing loss, net was \$303.0 million for the three months ended June 30, 2020, which compares to loan servicing loss, net of \$358.0 million for the three months ended June 30, 2019. The reduced loss was driven primarily by a lower reduction in fair market value of MSR of \$552.8 million for the three months ended June 30, 2020 as compared to a reduction in the fair market value of MSR of \$598.3 million for the three months ended June 30, 2019. See discussion below on change in MSR fair value for additional discussion. We originate the vast majority of our MSR portfolio and did not purchase any MSR during 2020 and 2019. Both purchased MSR and subservicing revenues are not material sources of servicing fee income.

Loan servicing loss, net was \$1,037.2 million for the six months ended June 30, 2020, which compares to loan servicing loss, net of \$609.1 million for the six months ended June 30, 2019. The increased loss was driven primarily by a reduction in fair market value of MSR of \$1,544.1 million in 2020 as compared to a reduction in fair market value of MSR of \$1,074.0 million in 2019. See discussion below on change in MSR fair value for additional discussion.

The change in MSR fair value was a net loss of \$552.8 million for the three months ended June 30, 2020, as compared with a net loss of \$598.3 million for the three months ended June 30, 2019. The change in fair value during the second quarter of 2020 included \$278.5 million of loss due to collection/realization of cash flows and a decrease in fair value due to change in valuation assumptions (net of hedges) of \$274.4 million primarily. The overall prepayment assumptions decreased from 19.7% at March 31, 2020 to 19.2% at June 30, 2020, driven primarily by MSR new adds during the quarter. Excluding the MSR new adds, the prepayment speeds increased at June 30, 2020 relative to March 31, 2020 resulting in the decrease in fair value due to changes in valuation assumptions noted above. The prepayment speed valuation assumption represents the annual rate at which serviced clients are estimated to repay their UPB. The decrease in fair value during the second quarter of 2019 included \$206.9 million of due to collection/realization of cash flows and a decrease in fair value due to changes in valuation model inputs or assumptions of \$391.3 million primarily driven by an increase in prepayment speeds from 13.2% at March 31, 2019 to 16.5% at June 30, 2019.

The change in MSR fair value was a net loss of \$1,544.1 million for the six months ended June 30, 2020, as compared with a net loss of \$1,074.0 million for the six months ended June 30, 2019. The change in fair value during the first half of 2020 included \$526.4 million of loss due to collection/realization of cash flows and a decrease in fair value due to change in valuation assumptions (net of hedges) of \$1,017.7 million primarily driven by an increase in prepayment speeds from 14.5% at December 31, 2019 to 19.2% at June 30, 2020. The prepayment speed valuation assumption represents the annual rate at which serviced clients are estimated to repay their UPB. The decrease in fair value during the first half of 2019 included \$361.6 million of due to collection/realization of cash flows, partially offset by an increase in fair value due to changes in valuation model inputs or assumptions of \$712.3 million primarily driven by an increase in prepayment speeds from 10.8% at December 31, 2018 to 16.5% at June 30, 2019.

Interest income, net

The components of interest income, net for the periods presented were as follows:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Interest income.....	\$ 78,039	\$ 61,585	\$ 152,081	\$ 108,637
Interest expense on funding facilities...	(53,756)	(32,430)	(93,215)	(56,043)
Interest income, net.....	<u>\$ 24,283</u>	<u>\$ 29,155</u>	<u>\$ 58,866</u>	<u>\$ 52,594</u>

Interest income, net was \$24.3 million for the three months ended June 30, 2020, a decrease of \$4.9 million, or 16.7%, as compared to \$29.2 million for the three months ended June 30, 2019. The decrease was primarily driven by a reduction in mortgage rates leading to lower interest income in 2020 as compared to 2019, partially offset by increased production volume.

Interest income, net was \$58.9 million for the six months ended June 30, 2020, an increase of \$6.3 million, or 11.9%, as compared to \$52.6 million for the six months ended June 30, 2019. The increase was driven by increased interest income due to higher production volume and partially offset by increased interest expense on funding facilities which was also driven by higher production volume.

Other income

Other income increased \$408.3 million, or 265.3%, to \$562.3 million for the three months ended June 30, 2020 as compared to \$153.9 million for the three months ended June 30, 2019. The increase was driven by revenues generated from Amrock's title insurance services, property valuation and settlement services that were also driven by the increase in origination volume noted above, as well as increased revenues from Rocket Loans of \$247.7 million in 2020, from \$6.5 million in 2019, mainly as a result of revenues earned from processing economic injury disaster loans offered by the Small Business Administration in response to the COVID-19 pandemic, which is not expected to continue in future quarters.

Other income increased \$520.5 million, or 181.9%, to \$806.6 million for the six months ended June 30, 2020 as compared to \$286.1 million for the six months ended June 30, 2019. The increase was driven by revenues generated from Amrock's title insurance services, property valuation and settlement services that were also driven by the increase in origination volume noted above, as well as increased revenues from Rocket Loans of \$252.4 million in 2020, from \$10.8 million in 2019, mainly as a result of revenues earned from processing economic injury disaster loans offered by the Small Business Administration in response to the COVID-19 pandemic, which is not expected to continue in future quarters.

Expenses

Expenses for the periods presented were as follows:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Salaries, commissions and team member benefits	\$ 853,750	\$ 486,768	\$ 1,537,200	\$ 944,546
General and administrative expenses	288,494	165,343	482,060	331,182
Marketing and advertising expenses	202,198	227,764	420,190	436,661
Interest and amortization expense on non-funding debt	33,168	33,086	66,275	66,168
Other expenses	198,310	78,560	339,750	144,081
Total expenses	<u>\$ 1,575,920</u>	<u>\$ 991,521</u>	<u>\$ 2,845,475</u>	<u>\$ 1,922,638</u>

Total expenses were \$1,575.9 million for the three months ended June 30, 2020, an increase of \$584.4 million or 58.9%, as compared with \$991.5 million for the three months ended June 30, 2019. This was driven primarily by increases in salaries, commissions and team member benefits, general and administrative expenses, and other expenses as described below.

Total expenses were \$2,845.5 million for the six months ended June 30, 2020, an increase of \$922.9 million or 48.0%, as compared with \$1,922.6 million for the six months ended June 30, 2019. This was driven primarily by increases in salaries, commissions and team member benefits, general and administrative expenses, and other expenses as described below.

Salaries, commissions and team member benefits were \$853.8 million for the three months ended June 30, 2020, an increase of \$367.0 million, or 75.4%, as compared with \$486.8 million for the three months ended June 30, 2019. The increase was primarily due to variable compensation related to increased production as well as an increase in team members in production roles to support our growth.

Salaries, commissions and team member benefits were \$1,537.2 million for the six months ended June 30, 2020, an increase of \$592.7 million, or 62.8%, as compared with \$944.5 million for the six months ended June 30, 2019. The increase was primarily due to variable compensation related to increased production as well as an increase in team members in production roles to support our growth.

General, selling and administrative expenses were \$288.5 million for the three months ended June 30, 2020, an increase of \$123.2 million, or 74.5%, as compared with \$165.3 million for the three months ended June 30, 2019. The increase was driven primarily by increased loan processing expenses due to higher origination volumes, as well as expenses associated with supporting the increased revenues from Rocket Loans noted above.

General, selling and administrative expenses were \$482.1 million for the six months ended June 30, 2020, an increase of \$150.9 million, or 45.6%, as compared with \$331.2 million for the six months ended June 30, 2019. The increase was driven primarily by increased loan processing expenses due to higher origination volumes, as well as expenses associated with supporting the increased revenues from Rocket Loans noted above.

Other expenses were \$198.3 million for the three months ended June 30, 2020, an increase of \$119.7 million, or 152.3%, as compared with \$78.6 million for the three months ended June 30, 2019. The increase was driven primarily by an increase in expenses incurred to support the higher level of title insurance services, property valuation and settlement services due to the increased origination volumes, an increase in payoff interest expense, and expenses incurred from the sale of MSRMs associated with prepayment provisions within the sales agreement and an increase in our provision for income taxes as a result of higher taxable income in 2020.

Other expenses were \$339.8 million for the six months ended June 30, 2020, an increase of \$195.7 million, or 135.8%, as compared with \$144.1 million for the six months ended June 30, 2019. The increase was driven primarily by an increase in expenses incurred to support the higher level of title insurance services, property valuation and settlement services due to the increased origination volumes noted above, an increase in payoff interest expense, expenses incurred from the sale of MSRMs associated with prepayment provisions within the sales agreement, and an increase in our provision for income taxes as a result of higher taxable income in 2020.

Summary results by segment for the three and six months ended June 30, 2020 and 2019

Our operations are organized by distinct marketing channels which promote client acquisition into our ecosystem and include two reportable segments: Direct to Consumer and Partner Network. In the Direct to Consumer segment, clients have the ability to interact with the Rocket Mortgage app and/or with our mortgage bankers. We market to potential clients in this segment through various performance marketing channels. The Direct to Consumer segment derives revenue from originating, closing, selling and servicing predominantly agency-conforming loans, which are pooled and sold to the secondary market. This also includes providing title insurance services, appraisals and settlement services to these clients as part of our end-to-end mortgage origination experience. Servicing activities are fully allocated to the Direct to Consumer segment as they are viewed as an extension of the client experience with the primary objective to establish and maintain positive, regular touchpoints with our clients, which positions us to recapture the clients' next refinance or purchase mortgage transaction. These activities position us to be the natural choice for clients' next refinance or purchase transaction.

The Rocket Pro platform supports the Partner Network segment and enables the ability to offer mortgage solutions with a superior client experience. Our two primary types of partnerships are marketing and influencer. Marketing partnerships consist of well-known, consumer-focused companies that find value in our award-winning client experience and want to offer their clients mortgage solutions with our trusted, widely recognized brand. Influencer partnerships are typically with companies that employ licensed mortgage professionals who find value in our client experience, technology and efficient mortgage process. In some cases, mortgages are not their primary offering.

We measure the performance of the segments primarily on a contribution margin basis. Contribution margin is intended to measure the direct profitability of each segment and is calculated as Adjusted Revenue less directly attributable expenses. Adjusted Revenue is a non-GAAP financial measure described above. Directly attributable expenses include salaries, commissions and team member benefits, general and administrative expenses and other expenses, such as direct servicing costs and origination costs. For segments, we measure gain on sale margin of funded loans and refer to this metric as ‘funded loan gain on sale margin.’ A loan is considered funded, when it is sold to investors on the secondary market. Funded loan gain on sale margin represents revenues on loans that have been funded divided by the funded UPB amount. Funded loan gain on sale margin is used specifically in the context of measuring the gain on sale margins of our Direct to Consumer and Partner Network segments. Funded loan gain on sale margin is an important metric in evaluating the revenue generating performance of our segments as it allows us to measure this metric at a segment level with a high degree of precision. By contrast, ‘gain on sale margin’, which we use outside of the segment discussion, measures the gain on sale revenue generation of our combined mortgage business. See below for overview and discussion of segment results for the three and six months ended June 30, 2020 and 2019. For additional discussion, see *Note 12, Segments* of the interim condensed combined financial statements of this Form 10-Q.

Direct to Consumer Results

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Funded Loan Volume	\$46,776,841	\$19,240,997	\$78,467,954	\$33,697,798
Funded Loan Gain on Sale Margin	5.09 %	4.25 %	4.93 %	4.11 %
Revenue				
Gain on sale	\$4,020,492	\$ 997,707	\$5,631,324	\$1,663,481
Interest income	51,012	38,930	98,322	73,330
Interest expense on funding facilities	(35,397)	(20,585)	(60,782)	(37,807)
Service fee income	248,873	240,002	504,863	463,345
Changes in fair value of MSR's	(552,843)	(598,262)	(1,544,095)	(1,073,963)
Other income	206,538	98,747	351,561	175,466
Total Revenue	3,938,675	756,539	4,981,193	1,263,852
Decrease (increase) in MSR's due to valuation assumptions (net of hedges)	274,377	391,348	1,017,704	712,327
Adjusted Revenue	4,213,052	1,147,887	5,998,897	1,976,179
Less: Directly Attributable Expenses(1)	948,900	606,186	1,729,520	1,150,475
Contribution Margin	3,264,152	541,701	4,269,377	825,704

(1) Direct expenses attributable to operating segments exclude corporate overhead, depreciation and amortization, and interest and amortization expense on non-funding debt.

For the three months ended June 30, 2020, Direct to Consumer Adjusted Revenue increased \$3,065.2 million, or 267.0% to \$4,213.1 million from \$1,147.9 million for the three months ended June 30, 2019. The increase was driven by growth in Direct to Consumer mortgage originations resulting in an increase in gain on sale revenue of \$3,022.8 million, or 303.0%, in 2020. On a funded loan basis, the Direct to Consumer segment generated \$46.8 billion in the three months ended June, 30, 2020, an increase of \$27.6 billion, or 143.8% as compared to 2019. In addition, funded loan gain on sale margin was 5.09% in 2020 as compared to 4.25% in 2019, driven primarily by strong consumer demand for mortgages which led to margin expansion during 2020 as compared to 2019. The increase in adjusted revenue also reflects an increase in other income of \$107.8 million, or 109.2%, related primarily to revenues generated from title insurance services, property valuation and settlement services from increased origination levels. Revenues from title insurance services, property valuation and settlement services are generated by Amrock. In addition, 2020 results include a decrease in collection/realization of servicing cash flows of \$45.4 million as compared to 2019. Collection/realization of servicing cash flows is reflected in the changes in fair value of MSR's line item in the table above.

For the three months ended June 30, 2020, Direct to Consumer Attributable Expenses increased \$342.7 million, or 56.5%, to \$948.9 million in 2020 compared to \$606.2 million in 2019. The increase was primarily due to an increase in variable compensation and an increase in team members in production roles needed to support growth. The increase in also reflects greater loan processing costs due to higher origination volumes and an increase in expenses incurred to support the

higher level of title insurance services, valuation and settlement services due to the increased origination volumes noted above, as well as an increase payoff interest expense.

For the three months ended June 30, 2020, Direct to Consumer Contribution Margin increased \$2,772.5 million, or 502.6%, to \$3,264.2 million compared to \$541.7 million for the three months ended June 30, 2019. The increase in Contribution Margin was driven primarily by the increase in Direct to Consumer originations and higher funded loan gain on sale margin noted above.

For the six months ended June 30, 2020, Direct to Consumer Adjusted Revenue increased \$4,022.7 million, or 203.6% to \$5,998.9 million from \$1,976.2 million for the six months ended June 30, 2019. The increase was driven by growth in Direct to Consumer mortgage originations resulting in an increase in gain on sale revenue of \$3,967.8 million, or 238.5%, in 2020. On a funded loan basis, the Direct to Consumer segment generated \$78.5 billion in 2020, an increase of \$44.8 billion, or 132.9% as compared to 2019. In addition, funded loan gain on sale margin was 4.93% in 2020 as compared to 4.11% in 2019, driven primarily by capacity constraints in the industry which led to margin expansion during 2020 as compared to 2019. The increase in adjusted revenue also reflects an increase in other income of \$176.1 million, or 100.4%, related primarily to revenues generated from title insurance services, property valuation and settlement services from increased origination levels. Revenues from title insurance services, property valuation and settlement services are generated by Amrock. In addition, service fee income increased \$41.5 million, or 9.0%, due to an increase in the servicing portfolio during 2019. These increases were partially offset by an increase in collection/realization of servicing cash flows in 2020 as compared to 2019. Collection/realization of servicing cash flows is reflected in the changes in fair value of MSR's line item in the table above.

For the six months ended June 30, 2020, Direct to Consumer Attributable Expenses increased \$579.0 million, or 50.3%, to \$1,729.5 million in 2020 compared to \$1,150.5 million in 2019. The increase was primarily due to an increase in variable compensation and an increase in team members in production roles needed to support growth. The increase in also reflects greater loan processing costs due to higher origination volumes and an increase in expenses incurred to support the higher level of title insurance services, valuation and settlement services due to the increased origination volumes noted above, as well as an increase payoff interest expense, and costs incurred during in connection with the MSR sales.

For the six months ended June 30, 2020, Direct to Consumer Contribution Margin increased \$3,443.7 million, or 417.1%, to \$4,269.4 million compared to \$825.7 million for the six months ended June 30, 2019. The increase in Contribution Margin was driven primarily by the increase in Direct to Consumer originations and higher funded loan gain on sale margin noted above.

Partner Network Results

(\$ in thousands)	Three Months June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Funded Loan Volume	\$19,732,169	\$11,232,850	\$39,064,260	\$16,646,219
Funded Loan Gain on Sale Margin	2.10 %	0.42 %	1.45 %	0.51 %
<i>Revenue</i>				
Gain on sale	734,662	101,918	938,109	152,044
Interest income	26,376	21,842	51,947	33,878
Interest expense on funding facilities	(18,302)	(11,374)	(32,023)	(17,400)
Other income	39,859	3,255	59,469	9,834
Total Revenue	782,595	115,641	1,017,502	178,356
Decrease (increase) in MSR's due to valuation assumptions (net of hedges)	—	—	—	—
Adjusted Revenue	782,595	115,641	1,017,502	178,356
Less: Directly Attributable Expenses	139,140	59,131	231,084	102,119
Total Contribution Margin	643,455	56,510	786,418	76,237

For the three months ended June 30, 2020, Partner Network Adjusted Revenue increased \$667.0 million, or 576.7% to \$782.6 million from \$115.6 million for the three months ended June 30, 2019. The increase was driven by growth in Partner Network mortgage originations resulting in an increase in gain on sale revenue of \$632.7 million, or 620.8%, in 2020. On a funded loan basis, the Partner Network segment generated \$19.7 billion in the three months ended June 30, 2020, an increase of \$8.5 billion, or 75.7% as compared to 2019. In addition, funded loan gain on sale margin was 2.10% in 2020 as

compared to 0.42% in 2019, driven primarily by capacity constraints in the industry as well as a strategic decision to increase margins in this channel in 2020 as compared to 2019.

For the three months ended June 30, 2020, Partner Network Attributable Expenses increased \$80.0 million, or 135.3%, to \$139.1 million in 2020 compared to \$59.1 million in 2019. The increase was primarily due to an increase in variable compensation and an increase in team members in production roles needed to support growth.

For the three months ended June 30, 2020, Partner Network Contribution Margin increased \$586.9 million, or 1,038.7%, to \$643.5 million, compared to \$56.5 million for the three months ended June 30, 2019. The increase in Contribution Margin was driven primarily by the increase in Partner Network originations and higher funded loan gain on sale margin noted above.

For the six months ended June 30, 2020, Partner Network Adjusted Revenue increased \$839.1 million, or 470.5% to \$1,017.5 million from \$178.4 million for the six months ended June 30, 2019. The increase was driven by growth in Partner Network mortgage originations resulting in an increase in gain on sale revenue of \$786.1 million, or 517.0%, in 2020. On a funded loan basis, the Partner Network segment generated \$39.1 billion in 2020, an increase of \$22.5 billion, or 135.5% as compared to 2019. In addition, funded loan gain on sale margin was 1.53% in 2020 as compared to 0.51% in 2019, driven primarily by capacity constraints in the industry as well as a strategic decision to increase margins in this channel in 2020 as compared to 2019.

For the six months ended June 30, 2020, Partner Network Attributable Expenses increased \$129.0 million, or 126.3%, to \$231.1 million in 2020 compared to \$102.1 million in 2019. The increase was primarily due to an increase in variable compensation and an increase in team members in production roles needed to support growth.

For the six months ended June 30, 2020, Partner Network Contribution Margin increased \$710.2 million, or 931.5%, to \$786.4 million, compared to \$76.2 million for the six months ended June 30, 2019. The increase in Contribution Margin was driven primarily by the increase in Partner Network originations and higher funded loan gain on sale margin noted above.

Liquidity and Capital Resources

Historically, our primary sources of liquidity have included:

- borrowings, including under our loan funding facilities and other secured and unsecured financing facilities;
- cash flow from our operations, including:
 - sale of whole loans into the secondary market;
 - sale of mortgage servicing rights into the secondary market;
 - loan origination fees;
 - servicing fee income; and
 - interest income on loans held for sale; and
- cash and marketable securities on hand.

Historically, our primary uses of funds have included:

- origination of loans;
- payment of interest expense;
- prepayment of debt;
- payment of operating expenses; and

- distributions to RHI, including those to fund distributions for payment of taxes by its ultimate shareholders.

We are also subject to contingencies which may have a significant impact on the use of our cash.

In order to originate and aggregate loans for sale into the secondary market, we use our own working capital and borrow or obtain money on a short-term basis primarily through committed and uncommitted loan funding facilities that it has established with large global banks.

Our loan funding facilities are primarily in the form of master repurchase agreements. We also have loan funding facilities directly with the GSEs. Loans financed under these facilities are generally financed at approximately 97% to 98% of the principal balance of the loan (although certain types of loans are financed at lower percentages of the principal balance of the loan), which requires us to fund the balance from cash generated from its operations. Once closed, the underlying residential mortgage loan that is held for sale is pledged as collateral for the borrowing or advance that was made under these loan funding facilities. In most cases, the loans will remain in one of the loan funding facilities for only a short time, generally less than one month, until the loans are pooled and sold. During the time the loans are held for sale, we earn interest income from the borrower on the underlying mortgage loan. This income is partially offset by the interest and fees we have to pay under the loan funding facilities.

When we sell a pool of loans in the secondary market, the proceeds received from the sale of the loans are used to pay back the amounts we owe on the loan funding facilities. We rely on the cash generated from the sale of loans to fund future loans and repay borrowings under our loan funding facilities. Delays or failures to sell loans in the secondary market could have an adverse effect on our liquidity position.

As discussed in *Note 5, Borrowings*, of the interim condensed combined financial statements included elsewhere in this Form 10-Q, as of June 30, 2020, we had 16 different funding facilities in different amounts and with various maturities together with the 5.250% Senior Notes due 2028 and the 5.750% Senior Notes due 2025. At June 30, 2020, the aggregate available amount under our facilities was \$22.3 billion, with combined outstanding balances of \$16.1 billion and unutilized capacity of \$6.2 billion.

The amount of financing actually advanced on each individual loan under our loan funding facilities, as determined by agreed upon advance rates, may be less than the stated advance rate depending, in part, on the market value of the mortgage loans securing the financings. Each of our loan funding facilities allows the bank providing the funds to evaluate the market value of the loans that are serving as collateral for the borrowings or advances being made. If the bank determines that the value of the collateral has decreased, the bank can require us to provide additional collateral or reduce the amount outstanding with respect to those loans (e.g., initiate a margin call). Our inability or unwillingness to satisfy the request could result in the termination of the facilities and possible default under our other loan funding facilities. In addition, a large unanticipated margin call could have a material adverse effect on our liquidity.

The amount owed and outstanding on our loan funding facilities fluctuates significantly based on our origination volume, the amount of time it takes us to sell the loans it originates, and the amount of loans being self-funded with cash. We may from time to time use surplus cash to “buy-down” the effective interest rate of certain loan funding facilities or to self-fund a portion of our loan originations. As of June 30, 2020, \$429.9 million of our cash was used to buy-down our funding facilities and self-fund, \$265.0 million of which are buy-down funds that are included in cash on the balance sheet and \$164.9 million of which is self-funding that reduces cash on the balance sheet. We have the ability to withdraw the \$265.0 million at any time, unless a margin call has been made or a default has occurred under the relevant facilities. We have the right to transfer \$164.9 million of self-funded loans on to a warehouse line or early buy out line with a government agency, provided that such loans meet the eligibility criteria to be placed on such warehouse line or early buy out line and no default or margin call has been made on such line, the loans are further subject to any required haircuts, and are subject to its ability to borrow additional funds under the facility.

Our loan funding facilities, early buy out facilities, MSR facility and unsecured lines of credit also generally require us to comply with certain operating and financial covenants and the availability of funds under these facilities is subject to, among other conditions, our continued compliance with these covenants. These financial covenants include, but are not limited to, maintaining (1) a certain minimum tangible net worth, (2) minimum liquidity, (3) a maximum ratio of total liabilities or total debt to tangible net worth and (4) pre-tax net income requirements. A breach of these covenants can result in an event of default under these facilities and as such allows the lenders to pursue certain remedies. In addition, each of these facilities, as well as our unsecured lines of credit, includes cross default or cross acceleration provisions that could

result in all facilities terminating if an event of default or acceleration of maturity occurs under any facility. We were in compliance with all covenants as of June 30, 2020 and 2019.

Our \$175.0 million unsecured line of credit also requires us to maintain minimum unencumbered and unrestricted cash and marketable securities. We were in compliance with this covenant as of June 30, 2020 and 2019.

June 30, 2020 compared to June 30, 2019

Cash and cash equivalents

Our cash and cash equivalents were \$1,724.0 million at June 30, 2020, an increase of \$1,115.4 million, or 183.3%, compared to \$608.6 million at June 30, 2019. The increase in the cash and cash equivalents balance was impacted by earnings for the period adjusted for non-cash items, the increase in net borrowings on funding facilities to fund the increase in mortgage loans held for sale, and proceeds from MSR sales. These increases were partially offset by distributions made to the parent company.

Shareholder's equity

Shareholder's equity was \$5,536.2 million as of June 30, 2020, an increase of \$3,303.7 million, or 148.0%, as compared to \$2,232.5 million as of June 30, 2019. The change was primarily the result of net income of \$4,706.7 million and stock-based compensation of \$83.1 million. These increases were partially offset by distributions made to the parent company.

June 30, 2020 compared to December 31, 2019

Cash and cash equivalents

Our cash and cash equivalents were \$1,724.0 million at June 30, 2020, an increase of \$373.0 million, or 27.6%, compared to \$1,351.0 million at December 31, 2019. The increase in the cash and cash equivalents balance was impacted by earnings for the period and proceeds from MSR sales. These increases were partially offset by distributions made to the parent company.

Shareholder's equity

Shareholder's equity was \$5,536.2 million as of June 30, 2020, an increase of \$2,033.3 million, or 58.0%, as compared to \$3,502.9 million as of December 31, 2019. The change was primarily the result of net income of \$3,558.5 million and stock-based compensation of \$60.3 million. These increases were partially offset by distributions made to the parent company.

Contractual Obligations, Commercial Commitments, and Other Contingencies

The following table sets forth certain of our contractual obligations as of December 31, 2019. See *Note 5, Borrowings*, and *10, Commitments, Contingencies, and Guarantees*, of the notes to the interim condensed combined financial statements included elsewhere in this Form 10-Q for further discussion of contractual obligations, commercial commitments, and other contingencies, including legal contingencies. There were no material changes outside the ordinary course of business to our outstanding contractual obligations as of June 30, 2020 from amounts previously disclosed as of December 31, 2019.

(\$ in thousands) Contractual Obligations	Payments Due by Period (As of December 31, 2019)			
	Less than 1 year	2 - 3 years	4 - 5 Years	More than 5 years
Operating Lease Commitments	\$ 71,371	\$ 124,658	\$ 62,724	\$ 106,994
Cleveland Cavaliers Naming Rights Contract	\$ 8,406	\$ 17,321	\$ 18,020	\$ 92,161
Trademark License Agreement(1)	\$ 7,500	\$ 15,000	\$ 15,000	\$ —
Senior Notes	\$ —	\$ —	\$ —	\$ 2,260,000
Total	\$ 87,277	\$ 156,979	\$ 95,744	\$ 2,459,155

- (1) We expect to pay Intuit the maximum annual amount of \$7.5 million each year under this agreement. We have entered into an agreement with Intuit that, among other things, gives Quicken Loans full ownership of the “Quicken Loans” brand in 2022 in exchange for certain agreements, subject to the satisfaction of certain conditions.

Repurchase and indemnification obligations

In the ordinary course of business, we are exposed to liability under representations and warranties made to purchasers of mortgage loans. Under certain circumstances, we may be required to repurchase mortgage loans, or indemnify the purchaser of such loans for losses incurred, if there has been a breach of representations or warranties, or if the borrower defaults on the loan payments within a contractually defined period (early payment default). Additionally, in certain instances we are contractually obligated to refund to the purchaser certain premiums paid to us on the sale if the mortgagor prepays the loan within a specified period of time, specified in our loan sale agreements. See *Note 10, Commitments, Contingencies, and Guarantees* of the notes to the interim condensed combined financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Interest rate lock commitments, loan sale and forward commitments

In the normal course of business we are party to financial instruments with off-balance sheet risk. These financial instruments include commitments to extend credit to borrowers at either fixed or floating interest rates. IRLCs are binding agreements to lend to a client at a specified interest rate within a specified period of time as long as there is no violation of conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses which may require payment of a fee. As many of the commitments expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. In addition, we have contracts to sell mortgage loans into the secondary market at specified future dates (commitments to sell loans), and forward commitments to sell MBS at specified future dates and interest rates.

Following is a summary of the notional amounts of commitments:

	June 30, 2020	December 31, 2019
	(Dollars in thousands)	
Interest rate lock commitments—fixed rate.....	\$ 60,868,152	\$ 20,577,282
Interest rate lock commitments—variable rate.....	\$ 1,299,825	\$ 974,693
Commitments to sell loans.....	\$ 4,106,301	\$ 2,859,710
Forward commitments to sell mortgage-backed securities.....	\$ 57,969,480	\$ 24,647,275
Forward commitments to purchase mortgage-backed securities.....	\$ —	\$ 1,990,000

Off Balance Sheet Arrangements

As of June 30, 2020, we guaranteed the debt of another related party totaling \$15 million, consisting of three separate guarantees of \$5 million each. As of June 30, 2019, we did not record a liability on the interim condensed combined balance sheets for these guarantees because it was not probable that we would be required to make payments under these guarantees. See “*Certain Relationships and Related Party Transactions—Transactions with RHI and other Affiliates—Guarantees*” in our Prospectus.

For further discussion, see *Notes 5, Borrowings, and 10, Commitments, Contingencies, and Guarantees*, of the notes to the condensed combined financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Distributions

Subsequent to June 30, 2020 and as part of the reorganization transaction, the Company made a cash distribution to RHI in an aggregate amount of \$2,260 million. See *Note 1, Business, Basis of Presentation, and Accounting Policies* of the notes to the condensed combined financial statements for additional details.

Six Months ended June 30, 2020

During the six months ended June 30, 2020, we had net transfers to RHI of \$1,590.8 million. During the six months ended June 30, 2019, we had net transfers to RHI of \$212.8 million, inclusive of both tax and discretionary equity distributions. Except for tax distributions, these distributions are at the discretion of our board of directors.

Year Ended December 31, 2019

During the year ended December 31, 2019, we had net transfers to RHI of \$210.9 million. During the year ended December 31, 2018, we had net transfers to RHI of \$706.9 million, inclusive of both tax and discretionary equity distributions. Except for tax distributions, these distributions are at the discretion of our board of directors.

New Accounting Pronouncements Not Yet Effective

See *Note 1, Business, Basis of Presentation, and Accounting Policies* of the notes to the condensed combined financial statements for details of recently issued accounting pronouncements and their expected impact on our combined financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are subject to a variety of risks which can affect our operations and profitability. We broadly define these areas of risk as interest rate, credit risk, counterparty risk, and risk related to the COVID-19 pandemic.

Interest rate risk

We are subject to interest rate risk which may impact our origination volume and associated revenue, MSR valuations, IRLCs and mortgage loans held for sale valuations, and the net interest margin derived from our funding facilities. The fair value of MSRs are driven primarily by interest rates, which impact the likelihood of loan prepayments and refinancing. In periods of rising interest rates, the fair value of the MSRs generally increases as prepayments decrease, and therefore the estimated life of the MSRs and related expected cash flows increase. In a declining interest rate environment, the fair value of MSRs generally decreases as prepayments increase and therefore the estimated life of the MSRs and related cash flows decrease. Because origination volumes tend to increase in declining interest rate environments and decrease in increasing rate environments, we believe that servicing provides a natural hedge to our origination business through the natural counter-cyclicality of servicing and mortgaging originations. We actively manage our MSR portfolio and from time to time identify assets for sale that do not meet our MSR strategy. We use forward loan purchase commitments to economically hedge the risk of potential changes in the value of MSR assets that have been identified for sale and mitigate interest rate risk for this portion of the MSR portfolio.

Our IRLCs and mortgage loans held for sale are exposed to interest rate volatility. During the origination, pooling, and delivery process, this pipeline value rises and falls with changes in interest rates. To mitigate this exposure, we employ a hedge strategy designed to minimize basis risk and maximize effectiveness. Basis risk in this case is the risk that the hedged instrument's price does not move in parallel with the increase or decrease in the market price of the hedged financial instrument. Because substantially all of its production is deliverable to Fannie Mae, Freddie Mac, and Ginnie Mae, we utilize forward agency or Ginnie Mae To Be Announced ("TBA") securities as its primary hedge instrument to mitigate the basis risk associated with U.S. Treasury futures, Eurodollar futures or other non-mortgage instruments. By fixing the future sale price, we reduce our exposure to changes in mortgage values between interest rate lock and sale. Our non-agency, non-Ginnie Mae production is hedged with a combination of TBAs and whole loan forward commitments. To mitigate the TBA basis risk, we look to sell most of its non-agency, non-Ginnie Mae production forward to its various buyers.

Interest rate risk also occurs in periods where changes in short-term interest rates result in mortgage loans being originated with terms that provide a smaller interest rate spread above the financing terms of our loan funding facilities, which can negatively impact its net interest income.

Credit risk

We are subject to credit risk, which is the risk of default that results from a borrower's inability or unwillingness to make contractually required mortgage payments. Generally, all loans sold into the secondary market are sold without recourse. For such loans, our credit risk is limited to repurchase obligations due to fraud or origination defects. For loans that were repurchased or not sold in the secondary market, we are subject to credit risk to the extent a borrower defaults and the proceeds upon ultimate foreclosure and liquidation of the property are insufficient to cover the amount of the mortgage plus expenses incurred. We believe that this risk is mitigated through the implementation of stringent underwriting standards, strong fraud detection tools, and technology designed to comply with applicable laws and our standards. In addition, we believe that this risk is mitigated through the quality of our loan portfolio. For the six months ended June 30, 2020, our clients' weighted average credit score was 751 and its approximate average loan size was \$275 with a weighted average loan-to-value ratio of approximately 71.6%.

Counterparty risk

We are subject to risk that arises from its financing facilities and interest rate risk hedging activities. These activities generally involve an exchange of obligations with unaffiliated banks or companies, referred to in such transactions as "counterparties." If a counterparty were to default, we could potentially be exposed to financial loss if such counterparty were unable to meet its obligations to us. We manage this risk by selecting only counterparties that we believe to be financially strong, spreading the risk among many such counterparties, placing contractual limits on the amount of unsecured credit extended to any single counterparty, and entering into netting agreements with the counterparties as appropriate.

In accordance with Treasury Market Practices Group's recommendation, we execute Securities Industry and Financial Markets Association trading agreements with all material trading partners. Each such agreement provides for an exchange of margin money should either party's exposure exceed a predetermined contractual limit. Such margin requirements limit our overall counterparty exposure. The master netting agreements contain a legal right to offset amounts due to and from the same counterparty. Derivative assets in the combined balance sheets represent derivative contracts in a gain position net of loss positions with the same counterparty and, therefore, also represent our maximum counterparty credit risk. We incurred no losses due to nonperformance by any of its counterparties during the second quarter of 2020 and 2019.

Also, in the case of our financing facilities, we are subject to risk if the counterparty chooses not to renew a borrowing agreement and we are unable to obtain financing to originate mortgage loans. With our financing facilities, we seek to mitigate this risk by ensuring that it has sufficient borrowing capacity with a variety of well-established counterparties to meet its funding needs.

Risk related to the COVID-19 pandemic

The COVID-19 pandemic has had, and continues to have, a significant impact on the national economy and the communities in which we operate. While the pandemic's effect on the macroeconomic environment operate has yet to be fully determined and could continue for months or years, we expect that the pandemic and governmental programs created as a response to the pandemic, will affect the core aspects of our business, including the origination of mortgages, our servicing operations, our liquidity and our employees. Such effects, if they continue for a prolonged period, may have a material adverse effect on our business and results of operation. For additional discussion on these risks please refer to "*Risk Factors—Risks Related to Our Business—The COVID-19 pandemic poses unique challenges to our business and the effects of the pandemic could adversely impact our ability to originate mortgages, our servicing operations, our liquidity and our employees*" included in our Prospectus.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We have identified certain accounting policies as being critical because they require us to make difficult, subjective or complex judgments about matters that are uncertain. We believe that the judgment, estimates and assumptions used in the preparation of our combined financial statements are appropriate given the factual circumstances at the time. However, actual results could differ and the use of other assumptions or estimates could result in material differences in our results of operations or financial condition. Our critical accounting policies and estimates are discussed below and relate to fair value measurements, particularly those determined to be Level 2 and Level 3 as discussed in *Note 2, Fair Value Measurements*, of the interim condensed combined financial statements included elsewhere in this Form 10-Q.

Mortgage loans held for sale

We have elected to record mortgage loans held for sale at fair value. Included in mortgage loans held for sale are loans originated as held for sale that are expected to be sold into the secondary market and loans that have been previously sold and repurchased from investors that management intends to resell into the secondary market, which are all recorded at fair value.

The fair value of loans held for sale that trade in active secondary markets is estimated using Level 2 measurements derived from observable market data, including market prices of securities backed by similar mortgage loans adjusted for certain factors to approximate the fair value of a whole mortgage loan, including the value attributable to mortgage servicing and credit risk. Loans held for sale for which there is little to no observable trading activity of similar instruments are valued using Level 3 measurements based upon dealer price quotations which typically results in credit spreads (i.e., purchase price discounts). Changes in fair value of mortgage loans held for sale are included in gain on sale of loans in the annual combined statements of income.

Changes in economic or other relevant conditions could cause our assumptions with respect to market prices of securities backed by similar mortgage loans to be different than our estimates. Increases in the market yields of similar mortgage loans result in a lower mortgage loans held for sale fair value.

Mortgage servicing rights

We have elected to record MSRMs at fair value. MSRMs are recognized as a component of the gain on sale of loans when loans are sold and the associated servicing rights are retained.

Subsequent changes in fair value of MSRMs due to the collection and realization of cash flows and changes in model inputs and assumptions are recognized in current period earnings and included as a separate line item in the combined statements of income. Fair value is determined on a monthly basis using a valuation model that calculates the present value of estimated future net servicing fee income. The model uses estimates of prepayment speeds, discount rate, cost to service, escrow account earnings, contractual servicing fee income, and ancillary income and late fees, among others. These estimates are supported by market and economic data collected from various outside sources. On a quarterly basis we obtain an independent third-party valuation to corroborate the value estimated by our internal model. All of our MSRMs are classified as a Level 3 asset.

Changes in economic and other relevant conditions could cause our assumptions, such as with respect to the prepayment speeds, to be different than our estimates. The key assumptions used to estimate the fair value of MSRMs are prepayment speeds and the discount rate. Increases in prepayment speeds generally have an adverse effect on the value of MSRMs as the underlying loans prepay faster, which causes accelerated MSR amortization. Increases in the discount rate result in a lower MSR value and decreases in the discount rate result in a higher MSR value. See *Note 3, Mortgage Servicing Rights* of the notes in the condensed combined financial statements included elsewhere in this Form 10-Q for an illustration of the hypothetical effect on the fair value of the MSRMs using various unfavorable variations of the expected levels of the assumed discount rate and prepayment speeds used in valuing MSRMs.

Derivative financial instruments

We enter into IRLCs, forward commitments to sell mortgage loans, and forward commitments to purchase mortgage loans which are considered derivative financial instruments. Our derivative financial instruments are accounted for as free-standing derivatives and are included in the combined balance sheets at fair value. Changes in the fair value of the IRLCs and forward commitments to sell mortgage loans derivative instruments are recognized in current period earnings and are included in gain on sale of loans in the combined statements of income. Forward commitments to purchase mortgage loans are recognized in current period earnings and are included as a component of servicing fee income.

Commitments to fund residential mortgage loans with our potential borrowers are a binding agreement to lend funds to these potential borrowers at a specified interest rate within a specified period of time. The fair value of IRLCs is derived from the fair value of similar mortgage loans or bonds, which is based on observable market data. Changes to the fair value of IRLCs are recognized based on changes in interest rates, changes in the probability that the commitment will be exercised (pull through factor), and the passage of time. The expected net future cash flows related to the associated servicing of the loan are included in the fair value measurement of IRLCs. Given the unobservable nature of the pull through factor, IRLCs are classified as Level 3.

Outstanding IRLCs and mortgage loans held for sale not yet committed to trade expose us to the risk that the price of the mortgage loans held and mortgage loans underlying the commitments might decline due to increases in mortgage interest rates during the life of the commitment. To protect against this risk, we use forward loan sale commitments to economically hedge the risk of potential changes in the value of the loans. MSR assets (including the MSR value associated with outstanding IRLCs) that have been identified to be sold expose us to the risk that the price of MSRs might decline due to decreases in mortgage interest rates prior to the sale of these assets. To protect against this risk, we use forward loan purchase commitments to economically hedge the risk of potential changes in the value of the MSR assets that have been identified for sale. We expect that the changes in fair value of the forward commitments will either substantially or partially offset the changes in fair value of the IRLCs, uncommitted mortgage loans held for sale, and MSR assets that we intend to sell. Our forward commitments are valued based on quoted prices for similar assets in an active market with inputs that are observable and are classified as Level 2 assets and liabilities.

Changes in economic or other relevant conditions could cause our assumptions with respect to forward commitments to be different than our estimates. Decreases in the market yields of mortgage loans result in a lower fair value for forward commitments to sell mortgage loans and increases in market yields of mortgage loans result in lower fair value for forward commitments to purchase mortgage loans.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this Form 10-Q. Based on such evaluation, our CEO and CFO have concluded that as of June 30, 2020, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we may be involved in disputes or litigation relating to claims arising out of our operations. We are not currently a party to any legal proceedings that could reasonably be expected to have a material adverse effect on our business, financial condition and results of operations.

Item 1A. Risk Factors

We have disclosed under the heading “Risk Factors” in our Prospectus, the risk factors that materially affect our business, financial condition or results of operations. There have been no material changes from the risk factors previously disclosed. You should carefully consider the risk factors set forth in the Prospectus and the other information set forth elsewhere in this Form 10-Q. You should be aware that these risk factors and other information may not described every risk that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Initial Public Offering

On August 7, 2020 we completed our IPO, which closed on August 10, 2020. Pursuant to the Registration Statement on Form S-1 (Registration No. 333-239726), which was declared effective by the SEC on August 5, 2020, we registered 100,000,000 shares of Class A common stock. All 100,000,000 shares of our Class A common stock were sold in the IPO at a price per share to the public of \$18.00 for an aggregate offering price of \$1.8 billion. Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC and RBC Capital Markets, LLC were the representatives of the underwriters. The following tables show the per share and total underwriting discounts and commissions to be paid by us to the underwriters:

<u>Underwriting Discounts and</u>	
Per Share	\$ 0.41
Total	\$ 40,500,000

The total net proceeds of the IPO were approximately \$1.760 billion. Of the proceeds, approximately \$40.5 million was used to pay underwriting discounts and commissions, and the remaining \$1.720 billion was used to purchase 100,000,000 of Holdings units and corresponding shares of Class D common stock from RHI.

We incurred costs relating to the IPO in the amount of \$14.5 million, which were paid or otherwise borne by RKT Holdings, LLC. There has been no material change in the planned use of the IPO net proceeds from the use of proceeds described in the Prospectus.

Issuances of Class A common stock and Class D common stock

In July 2020, in connection with our reorganization, we issued an aggregate 1,983,279,483 of our shares of Class D common stock to Dan Gilbert and RHI, for an aggregate consideration of \$20 million.

In August 2020, we issued an aggregate of 372,565 shares of Class A common stock at the purchase price per share equal to the initial public offering price of \$18.00 per share to Dan Gilbert and certain entities affiliated with Dan Gilbert in exchange for an aggregate of \$6.7 million in cash which we contributed to Holdings for an equal number of Holdings Units.

On August 5, 2020, we entered into an acquisition agreement with RHI and its direct subsidiary Amrock Holdings Inc. pursuant to which we will acquire Amrock Title Insurance Company ("ATI"), a title insurance underwriting business, for total aggregate consideration of \$14.4 million that consisted of 800,000 Holdings Units and shares of Class D common stock of RHI valued at the price to the public in the initial public offering of \$18.00 per share (such acquisition, the "ATI acquisition"). ATI's net income for the year ended December 31, 2019 was \$4.7 million. The consummation of this acquisition is subject to customary closing conditions, including the receipt of regulatory approvals. The ATI acquisition

closed subsequent to June 30, 2020. The shares of Class D common stock described above were issued in reliance on the exemption contained in Section 4(a)(2) of the Securities Act on the basis that the transaction did not involve a public offering. No underwriters were involved in the transaction.

Item 6. Exhibits

Exhibit No.	Description
2.1*	Reorganization Agreement
2.2*	Amendment to the Reorganization Agreement
3.1*	Amended and Restated Certificate of Incorporation of Rocket Companies, Inc.
3.2*	Amended and Restated Bylaws of Rocket Companies, Inc.
10.1	Form of Indemnification Agreement
	Form of Restricted Stock Unit Agreement for use with the Rocket Companies, Inc. 2020 Omnibus
10.2+	Incentive Plan
10.3+	Form of Stock Option Agreement for use with the Rocket Companies, Inc., 2020 Omnibus Incentive Plan
	Form of Director Restricted Stock Unit Agreement for use with the Rocket Companies, Inc. 2020 Omnibus
10.4+	Incentive Plan
31.1*	Certification of CEO, pursuant to SEC Rule 13a-14(a) and 15d-14(a)
31.2*	Certification of CFO, pursuant to SEC Rule 13a-14(a) and 15d-14(a)
32.1*	Certification by the CEO, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification by the CFO, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)
+	Management contract or compensatory plan or arrangement.
*	Filed herewith.

SIGNATURES

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

September 2, 2020

Date

Rocket Companies, Inc.

/s/ Julie Booth

Julie Booth
Chief Financial Officer and Treasurer
(Principal Financial Officer)

REORGANIZATION AGREEMENT

Dated as of July 21, 2020

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Exhibit J – Tax Receivable Agreement	
Exhibit K – Registration Rights Agreement	
Exhibit L – RHI/RocketCo Purchase Agreement	

REORGANIZATION AGREEMENT

REORGANIZATION AGREEMENT (this “Agreement”), dated as of July 21, 2020, by and among Rocket Companies, Inc., a Delaware corporation (“RocketCo”), RKT Holdings, LLC, a Michigan limited liability company (“Holdco”), Rock Holdings Inc., a Michigan corporation (“RHI”) and Daniel Gilbert (“Gilbert”).

RECITALS

WHEREAS, RocketCo was incorporated in Delaware on February 26, 2020, as a wholly owned subsidiary of RHI;

WHEREAS, the Board of Directors of RocketCo (the “Board”) has determined to effect an underwritten initial public offering (the “IPO”) of RocketCo’s Class A Common Stock (as defined below);

WHEREAS, HoldCo was formed in Michigan on March 6, 2020, as a wholly owned subsidiary of RHI;

WHEREAS, Quicken Loans Inc. converted to a Michigan limited liability company on April 15, 2020;

WHEREAS, the parties hereto desire to effect the Reorganization Transactions (as defined below) in contemplation of the IPO; and

WHEREAS, in connection with the consummation of the Reorganization Transactions and the IPO, the applicable parties hereto intend to enter into the Reorganization Documents (as defined below).

NOW, THEREFORE, in consideration of the foregoing recitals and of the mutual promises hereinafter set forth, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 Certain Defined Terms. As used herein, the following terms shall have the following meanings:

“Business Day” means a day, other than Saturday, Sunday or other day on which commercial banks in New York, New York or Detroit, Michigan are authorized or required by applicable law to close.

“Class A Common Stock” shall mean Class A Common Stock, par value \$0.00001 per share, of RocketCo, having the rights set forth in the Amended and Restated Certificate of Incorporation.

“Class B Common Stock” shall mean Class B Common Stock, par value \$0.00001 per share, of RocketCo, having the rights set forth in the Amended and Restated Certificate of Incorporation.

“Class C Common Stock” shall mean Class C Common Stock, par value \$0.00001 per share, of RocketCo, having the rights set forth in the Amended and Restated Certificate of Incorporation.

“Class D Common Stock” shall mean Class D Common Stock, par value \$0.00001 per share, of RocketCo, having the rights set forth in the Amended and Restated Certificate of Incorporation.

“Class D Number” means the number set forth as the number of shares of Class D Common Stock expected to be outstanding immediately after the IPO as set forth in the preliminary prospectus included as part of the registration statement on Form S-1 filed by RocketCo under the Exchange Act with the SEC to register the Class A Common Stock as on file with the SEC immediately prior to such registration statement being declared effective by the SEC.

“Common Stock” means, collectively, the Class A Common Stock, Class B Common Stock, Class C Common Stock and Class D Common Stock.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Existing Holdco Operating Agreement” means the Operating Agreement of Holdco, dated as of March 6, 2020, by and between Holdco and RHI.

“Form 8-A Effective Time” means the date and time on which the Registration Statement becomes effective, which will occur after the Pricing, on such date and at such time as determined by RocketCo.

“Gilbert Common Unit Amount” means the amount equal to the product of (i) the quotient of (x) \$20 million (twenty million) divided by (y) the Pre-IPO Value and (ii) the Class D Number (rounded to the nearest whole number).

“Holdco Common Units” means Common Units, as such term is defined in the Second A&R Holdco Operating Agreement.

“IPO Closing” means the initial closing of the sale of the Class A Common Stock in the IPO.

“IPO Price Per Share” means the per share public offering price for the Class A Common Stock.

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

“Post-Reorg Holdco Members” means RHI and Gilbert.

“Pre-IPO Value” means the total equity value of all membership interests of Holdco immediately prior to the Form 8-A Effective Time that is implied by the IPO Price Per Share.

“Pricing” means such date and time as the Board or the pricing committee thereof determines to price the IPO.

“Registration Statement” means the registration statement on Form 8-A filed by RocketCo under the Exchange Act with the SEC to register the Class A Common Stock.

“Reorganization Documents” means each of the documents attached as an exhibit hereto and all other agreements and documents entered into in connection with the Reorganization Transactions.

“RHI Common Unit Amount” means the amount equal to (i) the Class D Number minus (ii) the Gilbert Common Unit Amount.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

1.2 Terms Defined Elsewhere in this Agreement. Each of the following terms is defined in the Section set forth opposite such term:

<u>Term</u>	<u>Section</u>
A&R Holdco Operating Agreement	2.1(a)(i)
Agreement	Preamble
AHI	2.1(a)(ii)
Amended and Restated Certificate of Incorporation	2.1(c)(i)
Amrock Holdco	2.1(a)(iv)
ATI Purchase Agreement	2.1(d)(i)
Board	Recitals
Class D Shares	2.1(d)(v)
Gilbert	Preamble
Holdco	Preamble
Holdco Member Schedule	2.1(d)(iii)
e-mail	4.3
Exchange Agreement	2.1(d)(vi)
IPO	Recitals
RHI	Preamble
RHI/RocketCo Purchase Agreement	2.1(d)(ix)
RocketCo	Preamble
Reorganization Transaction	2.1
Reorganization Transactions	2.1
RWH LLC	2.1(a)(i)
Second A&R Holdco Operating Agreement	2.1(d)(iii)

1.3 Other Definitional and Interpretative Provisions. The words “hereof”, “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. References to Articles, Sections, Exhibits and Schedules are to Articles, Sections, Exhibits and Schedules of this Agreement unless otherwise specified. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Exhibit or Schedule but not otherwise defined therein, shall have the meaning as defined in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”, whether or not they are in fact followed by those words or words of like import. The word “or” shall be disjunctive but not exclusive. “Writing”, “written” and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. References to any statute shall be deemed to refer to such statute as amended from time to time and to any rules or regulations promulgated thereunder. References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. References to any Person include the successors and permitted assigns of that Person. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively.

ARTICLE II

THE REORGANIZATION

2.1 Transactions. Subject to the terms and conditions hereinafter set forth, and on the basis of and in reliance upon the representations, warranties, covenants and agreements set forth herein, the parties hereto shall take the actions described in this Section 2.1 (each, a “Reorganization Transaction” and, collectively, the “Reorganization Transactions”):

(a) On or shortly following the date hereof, the applicable parties shall take the actions set forth below (or cause such actions to take place):

(i) RHI shall contribute, assign, transfer and convey to Rocket Worldwide Holdings Inc., a newly formed wholly owned subsidiary of RHI (“RWH”), the issued and outstanding equity interests in the following entities: (I) RockTech Canada Inc., (II) EFB Holdings Inc. and (III) Lendesk Canada Holdings Inc.

(ii) RHI shall cause Amrock Holdings Inc. (“AHI”) to distribute to RHI the issued and outstanding equity interests in (I) Amrock, LLC and (II) Nexsys Technologies LLC.

(iii) RHI shall contribute, assign, transfer and convey to Holdco the issued and outstanding equity interests in the following entities: (I) Rock Central LLC, (II) RCRA Holdings LLC, (III) RockLoans Holdings LLC, (IV) Woodward Capital Management LLC, (V) Nexsys Technologies LLC and (VI) Amrock, LLC.

(iv) Holdco shall contribute, assign, transfer and convey to Amrock Holdco, LLC (“Amrock Holdco”) the issued and outstanding equity interests in (I) Amrock, LLC and (II) Nexsys Technologies LLC.

(v) (x) Holdco shall amend and restate its limited liability company operating agreement in the form attached hereto as Exhibit A (the “A&R Holdco Operating Agreement”) to, among other things, admit Gilbert as a member and (y) Gilbert shall make a capital contribution to Holdco in an amount equal to \$20 million.

(b) Prior to the Pricing, RHI shall contribute, assign, transfer and convey to Holdco the issued and outstanding equity interests in the following entities: (I) Quicken Loans, LLC, (II) RWH, (III) LMB HoldCo LLC and (IV) Rocket Homes Real Estate LLC.

(c) On or prior to the Pricing, the applicable parties shall take the actions set forth below (or cause such actions to take place):

(i) RocketCo shall adopt and file with the Secretary of State of the State of Delaware an amended and restated certificate of incorporation of RocketCo in the form attached hereto as Exhibit B (the “Amended and Restated Certificate of Incorporation”).

(ii) The Board shall adopt amended and restated bylaws of RocketCo in the form attached hereto as Exhibit C.

(d) Immediately following Pricing, the applicable parties shall take the actions set forth below (or cause such actions to take place):

(i) Holdco shall and RHI shall cause AHI to enter into a Purchase Agreement in the form attached hereto as Exhibit D (the “ATI Purchase Agreement”), whereby AHI shall agree to sell, assign, transfer and convey to Amrock Holdco the issued and outstanding equity interests in Amrock Title Insurance Company, subject to the terms and conditions set forth in the ATI Purchase Agreement.

(ii) Gilbert shall cause the entities listed on the signature pages thereto (the “Subscriber Entities”) to enter into a Subscription Agreement in the form attached hereto as Exhibit E, whereby each Subscriber Entity shall subscribe for, and RocketCo shall issue to each Subscriber Entity upon payment therefor at

a price per share equal to the IPO Price Per Share, the number of shares of Class A Common Stock set forth opposite such Subscriber Entity's name on Schedule I thereto.

(iii) Holdco shall: (x) reclassify all membership interests outstanding as of immediately prior to the Form 8-A Effective Time into the number of Holdco Common Units, in the aggregate, equal to the Class D Number and (y) amend and restate its limited liability company operating agreement in the form attached hereto as Exhibit F (the "Second A&R Holdco Operating Agreement") so that, among other things, (A) RocketCo shall be admitted as a member and shall become the sole managing member of Holdco and (B) after giving effect to the reclassification described in clause (x) above, RHI shall own the number of Holdco Common Units equal to the RHI Common Unit Amount and Gilbert shall own the number of Holdco Common Units equal to the Gilbert Common Unit Amount and the Member Schedule (as such term is defined in the Second A&R Holdco Operating Agreement) (the "Holdco Member Schedule") shall reflect such amounts.

(iv) In connection with the receipt of Holdco Common Units in the reclassification described in clause (ii)(x) above, RHI shall enter into a Subscription Agreement in the form attached hereto as Exhibit G, whereby RHI shall subscribe for, and RocketCo shall issue to RHI upon payment therefor, the number of shares of Class D Common Stock (the "Class D Shares") equal to the number of Holdco Common Units set forth opposite RHI's name on the Holdco Member Schedule.

(v) In connection with the receipt of Holdco Common Units in the reclassification described in clause (ii)(x) above, Gilbert shall enter into a Subscription Agreement in the form attached hereto as Exhibit H, whereby Gilbert shall subscribe for, and RocketCo shall issue to Gilbert upon payment therefor, the number of Class D Shares equal to the number of Holdco Common Units set forth opposite Gilbert's name on the Holdco Member Schedule.

(vi) In connection with the receipt of Holdco Common Units in the reclassification described in clause (ii)(x) above, each of the Post-Reorg Holdco Members shall enter into an Exchange Agreement with Holdco and RocketCo, in the form attached hereto as Exhibit I (the "Exchange Agreement"), whereby each such Post-Reorg Holdco Member shall be permitted to exchange with RocketCo its Holdco Common Units and shares of Class C Common Stock or Class D Common Stock, as the case may be, for shares of Class A Common Stock or Class B Common Stock, as applicable.

(vii) In connection with the receipt of Holdco Common Units in the reclassification described in clause (ii)(x) above, RocketCo and the Post-Reorg Holdco Members shall enter into a Tax Receivable Agreement, in the form attached hereto as Exhibit J.

(viii) RocketCo and the Post-Reorg Holdco Members shall enter into a Registration Rights Agreement, in the form attached hereto as Exhibit K.

(ix) RocketCo and RHI shall enter into a Purchase Agreement, in the form attached hereto as Exhibit L (the “RHI/RocketCo Purchase Agreement”), whereby RHI shall sell to RocketCo, and RocketCo shall purchase from RHI, the number of Holdco Common Units and shares of Class D Common Stock, as the case may be, set forth therein.

(e) Immediately following the IPO Closing, pursuant to the RHI/RocketCo Purchase Agreement, RHI shall sell to RocketCo, and RocketCo shall purchase from RHI, the number of Holdco Common Units and shares of Class D Common Stock, set forth therein.

(f) If at any time following the IPO Closing the underwriters exercise their option to purchase additional shares of Class A Common Stock from RocketCo, pursuant to the RHI/RocketCo Purchase Agreement, RHI shall sell to RocketCo, and RocketCo shall purchase from RHI, the number of Holdco Common Units and shares of Class D Common Stock, as determined in accordance with such agreement.

(g) Following the closing, pursuant to the ATI Purchase Agreement, AHI shall sell, assign, transfer and convey to Amrock Holdco, and Amrock Holdco shall purchase from AHI, the issued and outstanding equity interests in Amrock Title Insurance Company, subject to the terms and conditions set forth in the ATI Purchase Agreement.

2.2 Consent to Reorganization Transactions.

(a) Each of the parties hereto hereby acknowledges, agrees and consents to all of the Reorganization Transactions. Each of the parties hereto shall take all reasonable action necessary or appropriate in order to effect, or cause to be effected, to the extent within its control, each of the Reorganization Transactions and the IPO.

(b) The parties hereto shall deliver to each other, as applicable, prior to or at the Form 8-A Effective Time, each of the Reorganization Documents to which it is a party, together with any other documents and instruments necessary or appropriate to be delivered in connection with the Reorganization Transactions.

2.3 No Liabilities in Event of Termination; Certain Covenants.

(a) In the event that the IPO is abandoned or, unless the Board, Holdco, RHI or Gilbert otherwise agree, the IPO Closing has not occurred by September 30, 2020, (a) this Agreement shall automatically terminate and be of no further force or effect except for this Section 2.3 and Sections 4.1, 4.2, 4.3, 4.6, 4.7, , 4.8, 4.9, 4.10 and 4.12 and (b) there shall be no liability on the part of any of the parties hereto, except that such termination shall not preclude any party from pursuing judicial remedies for damages or other relief as a result of the breach by

the other parties of any representation, warranty, covenant or agreement contained herein prior to such termination.

(b) In the event that this Agreement is terminated for any reason after the consummation of any Reorganization Transaction, but prior to the consummation of all of the Reorganization Transactions, the parties agree, as applicable, to cooperate and work in good faith to execute and deliver such agreements and consents and amend such documents and to effect such transactions or actions as may be necessary to re-establish the rights, preferences and privileges that the parties hereto had prior to the consummation of the Reorganization Transactions, or any part thereof, including, without limitation, voting any and all securities owned by such party in favor of any amendment to any organizational document and in favor of any transaction or action necessary to re-establish such rights, powers and privileges and causing to be filed all necessary documents with any governmental authority necessary to reestablish such rights, preferences and privileges.

(c) For the avoidance of doubt, each party hereto acknowledges and agrees that until the consummation of the Reorganization Transactions: (i) the parties hereto shall not receive or lose any voting, governance or similar rights in connection with this Agreement or the Reorganization Transactions and (ii) the rights of the parties hereto under the Existing Holdco Operating Agreement shall not be effected.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties. Each party hereto hereby represents and warrants to all of the other parties hereto as follows:

(a) The execution, delivery and performance by such party of this Agreement and of the applicable Reorganization Documents, to the extent a party thereto, has been or prior to the Form 8-A Effective Time will be duly authorized by all necessary action. If such party is not an individual, such party is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization or incorporation;

(b) Such party has, or prior to the Form 8-A Effective Time will have, the requisite power, authority, legal right and, if such party is an individual, legal capacity, to execute and deliver this Agreement and each of the Reorganization Documents, to the extent a party thereto, and to consummate the transactions contemplated hereby and thereby, as the case may be;

(c) This Agreement and each of the Reorganization Documents to which it is a party has been (or when executed will be) duly executed and delivered by such party and constitutes the legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors'

rights generally, (ii) general equitable principles (whether considered in a proceeding in equity or at law) and (iii) an implied covenant of good faith and fair dealing; and

(d) Neither the execution, delivery and performance by such party of this Agreement and the applicable Reorganization Documents, to the extent a party thereto, nor the consummation by such party of the transactions contemplated hereby or thereby, nor compliance by such party with the terms and provisions hereof or thereof, will, directly or indirectly (with or without notice or lapse of time or both), (i) if such party is not an individual, contravene or conflict with, or result in a breach or termination of, or constitute a default under (or with notice or lapse of time or both, result in the breach or termination of or constitute a default under) the organizational documents of such party, (ii) constitute a violation by such party of any existing requirement of law applicable to such party or any of its properties, rights or assets or (iii) require the consent or approval of any Person, except, in the case of clauses (ii) and (iii), as would not reasonably be expected to result in, individually or in the aggregate, a material adverse effect on the ability of such party to consummate the transactions contemplated by this Agreement or the applicable Reorganization Documents.

ARTICLE IV

MISCELLANEOUS

4.1 Amendments and Waivers. This Agreement (including the Exhibits) may be modified, amended or waived only with the written approval of RocketCo, Holdco, RHI and Gilbert. The failure of any party to enforce any of the provisions of this Agreement shall in no way be construed as a waiver of such provisions and shall not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms. Notwithstanding anything to the contrary in this Section 4.1, nothing in this Section 4.1 shall be deemed to contradict the provisions of Section 2.3 hereof.

4.2 Successors and Assigns. This Agreement shall bind and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.

4.3 Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission and electronic mail (“e-mail”) transmission, so long as a receipt of such e-mail is requested and not received by automated response). All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. on a Business Day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed to have been received on the next succeeding Business Day in the place of receipt. All such notices, requests and other communications to any party hereunder shall be given to such party as follows:

If to RocketCo addressed to it at:

Rocket Companies, Inc.
1050 Woodward Avenue

Detroit, MI 48226
Attention: Angelo Vitale, General Counsel and Secretary
E-mail: AngeloVitale@rockcentraldetroit.com

With copies (which shall not constitute notice) to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Facsimile No.: (212) 757-3990
Attention: Scott A. Barshay
 Rachael G. Coffey
 John C. Kennedy
E-mail: sbarshay@paulweiss.com
 rcoffey@paulweiss.com
 jkennedy@paulweiss.com

If to Holdco addressed to it at:

RKT Holdings, LLC
1050 Woodward Avenue
Detroit, MI 48226
Attention: Angelo Vitale, General Counsel and Secretary
E-mail: AngeloVitale@rockcentraldetroit.com

With copies (which shall not constitute notice) to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Facsimile No.: (212) 757-3990
Attention: Scott A. Barshay
 Rachael G. Coffey
 John C. Kennedy
E-mail: sbarshay@paulweiss.com
 rcoffey@paulweiss.com
 jkennedy@paulweiss.com

If to RHI or Gilbert addressed to it at:

c/o Rock Holdings Inc.
1050 Woodward Avenue
Detroit, MI 48226
Attention: Jeff Morganroth, General Counsel and Secretary
E-mail: jeffmorganroth@rockventures.com

With copies (which shall not constitute notice) to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Facsimile No.: (212) 757-3990
Attention: Scott A. Barshay
Rachael G. Coffey
John C. Kennedy
E-mail: sbarshay@paulweiss.com
rcoffey@paulweiss.com
jkennedy@paulweiss.com

4.4 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.

4.5 Entire Agreement. Except as otherwise expressly set forth herein, this Agreement, together with the Reorganization Documents, embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, that may have related to the subject matter hereof in any way.

4.6 Governing Law. This Agreement shall be governed in all respects by the laws of the State of New York, without regard to the conflicts of law rules of such State that would result in the application of the laws of any other State.

4.7 Jurisdiction. The exclusive venues for all disputes arising out of this Agreement shall be the United States District Court for the Eastern District of Michigan and the Third Judicial Circuit, Wayne County, Michigan (the “Agreed-Upon Venues”), and no other venues. The parties stipulate that the Agreement is an arms-length transaction entered into by sophisticated parties, and that the Agreed-Upon Venues are convenient, are not unreasonable, unfair, or unjust, and will not deprive any party of any remedy to which it may be entitled. The parties agree to consent to the dismissal of any action arising out of this Agreement that may be filed in a venue other than one of the Agreed-Upon Venues; the reasonable legal fees and costs of the party seeking dismissal for improper venue will be paid by the party that filed suit in the improper venue. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without

limiting the foregoing, each party agrees that service of process on such party as provided in Section 4.3 shall be deemed effective service of process on such party.

4.8 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 is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

4.9 Enforcement. Each party hereto acknowledges that money damages would not be an adequate remedy in the event that any of the covenants or agreements in this Agreement are not performed in accordance with its terms, and it is therefore agreed that in addition to and without limiting any other remedy or right it may have, the non-breaching party will have the right, without posting a bond, to an injunction, temporary restraining order or other equitable relief in any court of competent jurisdiction enjoining any such breach and enforcing specifically the terms and provisions hereof.

4.10 Counterparts; Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. This Agreement may be executed by facsimile, e-mail or .pdf format signature(s).

4.11 Expenses. Unless otherwise provided in the Reorganization Documents, all costs and expenses incurred in connection with the negotiation and execution of this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such cost or expense.

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

RKT HOLDINGS, LLC

By: /s/ Angelo Vitale

Name: Angelo Vitale

Title: General Counsel and Secretary

ROCKET COMPANIES, INC.

By: /s/ Jay Farner

Name: Jay Farner

Title: Chief Executive Officer

ROCK HOLDINGS INC.

By: /s/ Jay Farner

Name: Jay Farner

Title: Chief Executive Officer and President

/s/ Daniel Gilbert

DANIEL GILBERT

AMENDMENT TO REORGANIZATION AGREEMENT

This Amendment (this “Amendment”) to the Reorganization Agreement, dated as of July 21, 2020, by and among Rocket Companies, Inc., a Delaware corporation (“RocketCo”), RKT Holdings, LLC, a Michigan limited liability company (“Holdco”), Rock Holdings Inc., a Michigan corporation (“RHI”) and Daniel Gilbert (“Gilbert”), is entered into by RocketCo, Holdco, RHI and Gilbert and effective as of August 5, 2020.

WHEREAS, RocketCo, Holdco, RHI and Gilbert previously entered into that certain Reorganization Agreement on July 21, 2020; and

WHEREAS, in accordance with Section 4.1 of the Reorganization Agreement, RocketCo, Holdco, RHI and Gilbert desire to amend the Reorganization Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and of the mutual promises hereinafter set forth, the parties hereto hereby agree to amend the Reorganization Agreement as follows:

1. Defined Terms. Capitalized terms used in this Amendment without definition shall have the meanings assigned to such terms in the Reorganization Agreement.

2. Definition of “Class D Number”. The defined term “Class D Number” in Section 1.1 of the Reorganization Agreement is amended and restated in its entirety as follows:

“Class D Number” means 1,883,279,483.

3. References to the Reorganization Agreement. After giving effect to this Amendment, each reference in the Reorganization Agreement to “this Agreement”, “hereof”, “hereunder”, “herein” or words of like import referring to the Reorganization Agreement shall refer to the Reorganization Agreement as amended by this Amendment; provided, that references in the Reorganization Agreement to “as of the date hereof” or “as of the date of this Agreement” or words of like import shall continue to refer to the date of July 21, 2020.

4. Miscellaneous. Except as otherwise expressly set forth herein and therein, this Amendment and the Reorganization Agreement, together with the Reorganization Documents, embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, that may have related to the subject matter hereof in any way. Except as specifically amended by this Amendment, all of the terms, covenants and other provisions the Reorganization Agreement, as amended by this Amendment, are hereby ratified and confirmed and shall continue to be in full force and effect in accordance with their respective terms. The terms and provisions of Article IV of the Reorganization Agreement are incorporated herein by reference as if set forth herein in their entirety and shall apply *mutatis mutandis* to this Amendment.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

RKT HOLDINGS, LLC

By: /s/ Angelo Vitale

Name: Angelo Vitale

Title: General Counsel and Secretary

ROCKET COMPANIES, INC.

By: /s/ Angelo Vitale

Name: Angelo Vitale

Title: General Counsel and Secretary

ROCK HOLDINGS INC.

By: /s/ Matthew Rizik

Name: Matthew Rizik

Title: Chief Financial Officer and
Treasurer

/s/ Daniel Gilbert

DANIEL GILBERT

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
ROCKET COMPANIES, INC.

* * * *

Rocket Companies, Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

The date of filing of its original certificate of incorporation with the Secretary of State of the State of Delaware was February 26, 2020 (the “Original Certificate of Incorporation”).

This Amended and Restated Certificate of Incorporation of the Corporation (the “Certificate of Incorporation”) has been duly adopted by the Board of Directors and stockholders of the Corporation in accordance with Sections 242 and 245 of the Delaware General Corporation Law (as amended from time to time, the “DGCL”).

The Original Certificate of Incorporation is hereby amended, integrated and restated in its entirety to read as follows:

ARTICLE I

Name

The name of the corporation is Rocket Companies, Inc. (the “Corporation”).

ARTICLE II

Address; Registered Office and Agent; Headquarters

A. The address of the Corporation’s registered office in the State of Delaware is 251 Little Falls Drive, City of Wilmington, County of New Castle, State of Delaware 19808; and the name of its registered agent at such address is Corporation Service Company.

B. The principal executive offices of the Corporation are located at 1050 Woodward Avenue, Detroit, Michigan 48226. The principal executive offices of the Corporation may not be moved outside of Detroit, Michigan without the affirmative vote of the holders of at least 75% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE III

Purposes

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the DGCL. The Corporation is to have perpetual existence.

ARTICLE IV

Capital Stock

A. Definitions. For purposes of this Certificate of Incorporation, reference to:

(1) “Class C Paired Interest” means one Holding Unit together with one share of Class C Common Stock, subject to adjustment pursuant to Section 2.03(a) of the Exchange Agreement;

(2) “Class D Paired Interest” means one Holding Unit together with one share of Class D Common Stock, subject to adjustment pursuant to Section 2.03(b) of the Exchange Agreement;

(3) “Exchange Agreement” means the Exchange Agreement, dated as of August 5, 2020, by and among RHI, the Corporation and the holders of Holding Units and shares of Class C Common Stock and Class D Common Stock, as the same may be amended, restated, supplemented or otherwise modified, from time to time;

(4) “Family Member” means, with respect to any natural person, the spouse, parents, grandparents, lineal descendants, siblings of such person or such person’s spouse, and lineal descendants of siblings of such person or such person’s spouse. Lineal descendants shall include adopted persons, but only so long as they are adopted during minority;

(5) “Holding Unit” means a non-voting common interest unit of RKT Holdings, LLC;

(6) “Paired Interest” means one Class C Paired Interest or one Class D Paired Interest;

(7) “Permitted Transfer” means, with respect Class B Common Stock or Class D Common Stock, any Transfer (i) to any Permitted Transferee or (ii) following which such Class B Common Stock or Class D Common Stock continues to be held by RHI or a Permitted Transferee and the Rock Equityholders or the direct or indirect equityholders of such Permitted Transferee immediately prior to such Transfer continue to hold a majority of the beneficial interests of RHI or such Permitted Transferee, as applicable, following such Transfer;

(8) “Permitted Transferees” means, with respect to any holder of Class B Common Stock or Class D Common Stock, (i) RHI or any Rock Equityholder, (ii) any Family Member of such holder or any Family Member of any Rock Equityholder, (iii) any trust, family-

partnership or estate-planning vehicle so long as such holder, any Family Member of such holder, any Rock Equityholder or any Family Member of a Rock Equityholder are the sole economic beneficiaries thereof, (iv) any partnership, corporation or other entity controlled by, or a majority of which is beneficially owned by, such holder or any of the persons listed in the foregoing clauses (i)-(iii), (v) any charitable trust or organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and controlled by such holder or any of the persons listed in the foregoing clauses (i)-(iv), (vi) an individual mandated under a qualified domestic relations order or (vii) a legal or personal representative of such holder, any Family Member of such holder, any Rock Equityholder or any Family Member of a Rock Equityholder in the event of the death or disability thereof;

(9) “RHI” means Rock Holdings Inc.;

(10) “RHI Entities” means RHI and any entities disregarded as separate from RHI for U.S. federal income tax purposes;

(11) “RHI Securities” means issued and outstanding shares of Common Stock or Preferred Stock beneficially owned by the RHI Entities;

(12) “Rock Equityholders” means the direct or indirect equityholders of RHI;

(13) “Transfer” of a share of Class B Common Stock or Class D Common Stock means, directly or indirectly, any sale, assignment, transfer, exchange, gift, bequest, pledge, hypothecation or other disposition or encumbrance of such share or any legal or beneficial interest in such share, in whole or in part, whether or not for value and whether voluntary or involuntary or by operation of law; provided, however, that the following shall not be considered a “Transfer”: (i) the granting of a revocable proxy to officers or directors of the Corporation at the request of the Board in connection with actions to be taken at annual or special meetings of stockholders or in connection with any action by written consent of the stockholders solicited by the Board (at such times as action by written consent of stockholders is permitted under this Certificate of Incorporation); (ii) entering into a voting trust, agreement or arrangement (with or without granting a proxy) solely with the Corporation or its stockholders that (x) is disclosed either in a Schedule 13D filed with the Securities and Exchange Commission or in writing to the Secretary of the Corporation and (y) does not involve any payment of cash, securities, property or other consideration to the holder of the shares subject thereto other than the mutual promise to vote shares in a designated manner; (iii) entering into a customary voting or support agreement (with or without granting a proxy) in connection with any merger, consolidation or other business combination of the Corporation that is approved by the Board, whether effectuated through one transaction or series of related transactions (including a tender offer followed by a merger in which holders of Class A Common Stock receive the same consideration per share paid in the tender offer); (iv) the pledge of shares of capital stock of the Corporation by a stockholder that creates a mere security interest in such shares pursuant to a bona fide loan or indebtedness transaction so long as such stockholder continues to exercise sole voting control over such pledged shares unless any pledged shares are transferred to or registered in the name of the pledgee; provided, however, that a foreclosure on such shares or other similar action by the pledgee shall constitute a “Transfer”; or (v) the fact that the spouse of any holder of

Class B Common Stock or Class D Common Stock possesses or obtains an interest in such holder's shares of Class B Common Stock or Class D Common Stock arising solely by reason of the application of the community property laws of any jurisdiction, so long as no other event or circumstance shall exist or have occurred that constitutes a "Transfer" of such shares of Class B Common Stock or Class D Common Stock; and

(14) "Triggering Event" means the first date on which RHI and the Permitted Transferees cease collectively to beneficially own (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act) shares of Common Stock representing at least ten percent of the issued and outstanding shares of Common Stock.

B. The total number of shares of all classes of stock that the Corporation shall have authority to issue is 28,500,000,000 shares, consisting of: (i) 28,000,000,000 shares of common stock, divided into (a) 10,000,000,000 shares of Class A common stock, with the par value of \$0.00001 per share (the "Class A Common Stock"), (b) 6,000,000,000 shares of Class B common stock, with the par value of \$0.00001 per share (the "Class B Common Stock" and, together with Class A Common Stock, the "Economic Common Stock"), (c) 6,000,000,000 shares of Class C common stock, with the par value of \$0.00001 per share (the "Class C Common Stock"), and (d) 6,000,000,000 shares of Class D common stock, with the par value of \$0.00001 per share (the "Class D Common Stock" and, together with the Class C Common Stock, the "Non-Economic Common Stock" and collectively with the Class A Common Stock, the Class B Common Stock and the Class C Common Stock, the "Common Stock"); and (ii) 500,000,000 shares of preferred stock, with the par value of \$0.00001 per share (the "Preferred Stock").

C. Subject to the rights of the holders of any one or more series of Preferred Stock then outstanding, the number of authorized shares of any class or series of the Common Stock or the Preferred Stock may be increased or decreased, in each case by the affirmative vote of the holders of a majority of the total voting power of the outstanding shares of capital stock of the Corporation entitled to vote thereon, voting together as a single class, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law, and no vote of the holders of any class or series of the Common Stock or the Preferred Stock voting separately as a class will be required therefor. Notwithstanding the immediately preceding sentence, the number of authorized shares of any particular class or series may not be decreased below the number of shares of such class or series then outstanding, plus:

(1) in the case of Class A Common Stock, the number of shares of Class A Common Stock issuable in connection with (i) the conversion of all shares of Class B Common Stock issuable as described in subclause (2) below, (ii) the exchange of all outstanding shares of Class C Common Stock and all shares of Class C Common Stock issuable as described in subclause (3) below, together with the corresponding Holding Units constituting the remainder of any Class C Paired Interests in which such shares are included, pursuant to Section 2.01 of the Exchange Agreement and (iii) the exercise of outstanding options, warrants, exchange rights, conversion rights or similar rights for Class A Common Stock;

(2) in the case of Class B Common Stock, the number of shares of Class B Common Stock issuable in connection with (i) the exchange of all outstanding shares of Class D Common Stock and all shares of Class D Common Stock issuable as described in subclause (4) below, together with the corresponding Holding Units constituting the remainder of any Class D Paired Interests in which such shares are included, pursuant to Section 2.01 of the Exchange Agreement and (ii) the exercise of outstanding options, warrants, exchange rights, conversion rights or similar rights for Class B Common Stock;

(3) in the case of Class C Common Stock, the number of shares of Class C Common Stock issuable in connection with (i) the conversion of all outstanding shares of Class D Common Stock, (ii) the conversion of all shares of Class D Common Stock issuable as described in subclause (4) below and (iii) the exercise of outstanding options, warrants, exchange rights, conversion rights or similar rights for Class C Common Stock; and

(4) in the case of Class D Common Stock, the number of shares of Class D Common Stock issuable in connection with the exercise of outstanding options, warrants, exchange rights, conversion rights or similar rights for Class D Common Stock.

A statement of the designations of each class and the powers, preferences and rights, and qualifications, limitations or restrictions thereof is as follows:

D. Common Stock.

(1) Voting Rights.

(a) Subject to Article VI, Section O, each holder of Class A Common Stock or Class C Common Stock, as such, will be entitled to one vote for each share of Class A Common Stock or Class C Common Stock held of record by such holder on all matters on which stockholders generally are entitled to vote, and each holder of Class B Common Stock or Class D Common Stock, as such, will be entitled to ten votes for each share of Class B Common Stock or Class D Common Stock held of record by such holder on all matters on which stockholders generally are entitled to vote, except that, in each case, to the fullest extent permitted by law, holders of shares of each class of Common Stock, as such, will have no voting power with respect to, and will not be entitled to vote on, any amendment to this Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) that relates solely to the terms of any outstanding Preferred Stock if the holders of such Preferred Stock are entitled to vote as a separate class thereon under this Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) or under the DGCL.

(b) (i) The holders of the outstanding shares of Class A Common Stock and Class C Common Stock, voting together as a single class, shall be entitled to vote separately upon any amendment to this Certificate of Incorporation (including by merger, consolidation, reorganization or similar event) that would alter or change the powers, preferences or special rights of such classes of Common Stock in a manner that is disproportionately adverse as compared to the Class B Common Stock or Class D Common Stock and (ii) the holders of the outstanding shares of Class B Common Stock and Class D Common Stock, voting together as a

single class, shall be entitled to vote separately upon any amendment to this Certificate of Incorporation (including by merger, consolidation, reorganization or similar event) that would alter or change the powers, preferences or special rights of such classes of Common Stock in a manner that is disproportionately adverse as compared to the Class A Common Stock or Class C Common Stock, it being understood that any merger, consolidation or other business combination shall not be deemed an amendment hereof if such merger, consolidation or other business combination would be permitted by Article IV.D(3).

(c) Except as otherwise required in this Certificate of Incorporation or by applicable law, the holders of Common Stock will vote together as a single class on all matters (or, if any holders of Preferred Stock are entitled to vote together with the holders of Common Stock, as a single class with the holders of Preferred Stock).

(2) Dividends; Stock Splits; Combinations.

(a) Subject to applicable law and the rights, if any, of the holders of any outstanding series of Preferred Stock or any class or series of stock having a preference senior to or the right to participate with the Economic Common Stock with respect to the payment of dividends, dividends of cash or property may be declared and paid on the Economic Common Stock out of the assets of the Corporation that are by law available therefor, at the times and in the amounts as the board of directors of the Corporation (the “Board”) in its discretion may determine;

(b) Dividends of cash or property may not be declared or paid on the Class A Common Stock unless a dividend of the same amount and same type of cash or property (or combination thereof) is concurrently declared or paid on the Class B Common Stock. Dividends of cash or property may not be declared or paid on the Class B Common Stock unless a dividend of the same amount and same type of cash or property (or combination thereof) is concurrently declared or paid on the Class A Common Stock.

(c) Except as provided in Article IV.D(2)(d) with respect to stock dividends, dividends of cash or property may not be declared or paid on the Non-Economic Common Stock.

(d) In no event will any stock dividend, stock split, reverse stock split, combination of stock, reclassification or recapitalization be declared or made on any class of Common Stock (each, a “Stock Adjustment”) unless a corresponding Stock Adjustment for all other classes of Common Stock not so adjusted at the time outstanding is made in the same proportion and the same manner. Stock dividends with respect to each class of Common Stock may only be paid with shares of stock of the same class of Common Stock.

(e) Notwithstanding anything to the contrary, if a dividend in the form of capital stock of a subsidiary of the Corporation is declared or paid on the Class A Common Stock and the Class B Common Stock, the relative per share voting rights of the capital stock of such subsidiary so distributed in respect of the Class A Common Stock and the Class B Common

Stock shall be in the same proportion as the relative voting rights of a share of Class A Common Stock and a share of Class B Common Stock.

(3) Except as expressly provided in this Article IV, the Economic Common Stock shall have the same rights and privileges and rank equally, share ratably and be identical in all respects as to all matters, and the Non-Economic Common Stock shall have the same rights and privileges and rank equally, share ratably and be identical as to all matters. Without limiting the generality of the foregoing, (i) in the event of a merger, consolidation or other business combination requiring the approval of the holders of the Corporation's capital stock entitled to vote thereon (whether or not the Corporation is the surviving entity), the holders of the Class A Common Stock shall have the right to receive, or the right to elect to receive, the same form of consideration, if any, as the holders of the Class B Common Stock and the holders of the Class A Common Stock shall have the right to receive, or the right to elect to receive, at least the same amount of consideration, if any, on a per share basis as the holders of the Class B Common Stock, and the holders of the Class C Common Stock shall have the right to receive, or the right to elect to receive, the same form of consideration (if any) as the holders of the Class D Common Stock and the holders of the Class C Common Stock shall have the right to receive, or the right to elect to receive, at least the same amount of consideration (if any) on a per share basis as the holders of the Class D Common Stock and (ii) in the event of (a) any tender or exchange offer to acquire any shares of Common Stock by any third party pursuant to an agreement to which the Corporation is a party or (b) any tender or exchange offer by the Corporation to acquire any shares of Common Stock, pursuant to the terms of the applicable tender or exchange offer, the holders of the Class A Common Stock shall have the right to receive, or the right to elect to receive, the same form of consideration as the holders of the Class B Common Stock and the holders of the Class A Common Stock shall have the right to receive, or the right to elect to receive, at least the same amount of consideration on a per share basis as the holders of the Class B Common Stock, and the holders of the Class C Common Stock shall have the right to receive, or the right to elect to receive, the same form of consideration (if any) as the holders of the Class D Common Stock and the holders of the Class C Common Stock shall have the right to receive, or the right to elect to receive, at least the same amount of consideration (if any) on a per share basis as the holders of the Class D Common Stock; provided that, for the purposes of the foregoing clauses (i) and (ii) and notwithstanding the first sentence of this Article IV.D(3), (x) in the event any such consideration includes securities, (a) the consideration payable to holders of Class A Common Stock shall be deemed the same form of consideration and at least the same amount of consideration on a per share basis as the holders of Class B Common Stock on a per share basis if the only difference in the per share distribution to the holders of Class B Common Stock is that the securities distributed to such holders have not more than ten times the voting power of any securities distributed to the holder of a share of Class A Common Stock and (b) the consideration payable to holders of Class D Common Stock shall be deemed the same form of consideration and at least the same amount of consideration on a per share basis as the holders of Class C Common Stock on a per share basis if the only difference in the per share distribution to the holders of Class D Common Stock is that the securities distributed to such holders have not more than ten times the voting power of any securities distributed to the holder of a share of Class C Common Stock (in each case, so long as such securities issued to the holders of Class B Common Stock or the Class D Common Stock, as the case may be, remain subject to automatic

conversion on terms no more favorable to such holders than those set forth in Article IV.G) and (y) payments under or in respect of the tax receivable or similar agreement entered by the Corporation from time to time with any holders of Common Stock shall not be considered part of the consideration payable in respect of any share of Common Stock.

(4) Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation and of the preferential and other amounts, if any, to which the holders of Preferred Stock are entitled, if any, the holders of all outstanding shares of Common Stock will be entitled to receive, *pari passu*, an amount per share equal to the par value thereof, and thereafter the holders of all outstanding shares of Economic Common Stock will be entitled to receive the remaining assets of the Corporation available for distribution ratably in proportion to the number of shares of Economic Common Stock. Without limiting the rights of the holders of Non-Economic Common Stock to exchange their shares of Non-Economic Common Stock, together with the corresponding Holding Units constituting the remainder of any Paired Interests in which such shares are included, for shares of Economic Common Stock in accordance with Section 2.01 of the Exchange Agreement (or for the consideration payable in respect of shares of Economic Common Stock in such voluntary or involuntary liquidation, dissolution or winding up), the holders of shares of Non-Economic Common Stock, as such, will not be entitled to receive, with respect to such shares, any assets of the Corporation in excess of the par value thereof, in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

E. Preferred Stock. Shares of Preferred Stock may be issued from time to time in one or more series of any number of shares; provided, that the aggregate number of shares issued and not retired of any and all such series shall not exceed the total number of shares of Preferred Stock hereinabove authorized, and with such powers, including voting powers, if any, and the designations, preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, all as shall hereafter be stated and expressed in the resolution or resolutions providing for the designation and issue of such shares of Preferred Stock from time to time adopted by the Board pursuant to authority to do so which is hereby expressly vested in the Board. The powers, including voting powers, if any, preferences and relative, participating, optional and other special rights of each series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding. Each series of shares of Preferred Stock: (i) may have such voting rights or powers, full or limited, if any; (ii) may be subject to redemption at such time or times and at such prices, if any; (iii) may be entitled to receive dividends (which may be cumulative or non-cumulative) at such rate or rates, on such conditions and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or series of stock, if any; (iv) may have such rights upon the voluntary or involuntary liquidation, winding up or dissolution of, upon any distribution of the assets of, or in the event of any merger, sale or consolidation of, the Corporation, if any; (v) may be made convertible into or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock of the Corporation (or any other securities of the Corporation or any other person) at such price or prices or at such rates of exchange and with such adjustments,

if any; (vi) may be entitled to the benefit of a sinking fund to be applied to the purchase or redemption of shares of such series in such amount or amounts, if any; (vii) may be entitled to the benefit of conditions and restrictions upon the creation of indebtedness of the Corporation or any subsidiary, upon the issue of any additional shares (including additional shares of such series or of any other series) and upon the payment of dividends or the making of other distributions on, and the purchase, redemption or other acquisition by the Corporation or any subsidiary of, any outstanding shares of the Corporation, if any; (viii) may be subject to restrictions on transfer or registration of transfer, or on the amount of shares that may be owned by any person or group of persons; and (ix) may have such other relative, participating, optional or other special rights, qualifications, limitations or restrictions thereof, if any; all as shall be stated in said resolution or resolutions of the Board providing for the designation and issue of such shares of Preferred Stock.

F. Conversion and Exchange of Shares.

(1) Each share of Class B Common Stock or Class D Common Stock may be converted into one fully paid and non-assessable share of Class A Common Stock or Class C Common Stock, respectively, at any time at the option of the holder of such share of Class B Common Stock or Class D Common Stock. In order to exercise the conversion privilege, the holder of any shares of Class B Common Stock or Class D Common Stock to be converted shall deliver to the Corporation written or electronic notice that the holder elects to convert shares of Class B Common Stock or Class D Common Stock, as applicable, to the extent specified in such notice and, if such shares are certificated, such holder shall present and surrender the certificate or certificates representing such shares during usual business hours at the principal executive offices of the Corporation or, if any agent for the registration or transfer of shares of Class B Common Stock or Class D Common Stock is then duly appointed and acting (the "Class B Transfer Agent" and the "Class D Transfer Agent," respectively), at the office of the Class B Transfer Agent or Class D Transfer Agent, as applicable. If required by the Corporation, any certificate for shares of Class B Common Stock or Class D Common Stock surrendered for conversion shall be accompanied by instruments of transfer, in form reasonably satisfactory to the Corporation and the Class B Transfer Agent or Class D Transfer Agent, as applicable, duly executed by the holder of such shares or such holder's duly authorized representative. As promptly as practicable after the receipt of such notice and the surrender of the certificate or certificates representing such shares of Class B Common Stock or Class D Common Stock as aforesaid and in any event within three days of the receipt of such notice and certificates, if such shares are certificated, the Corporation shall issue and deliver at such office to such holder, or on such holder's written order, a certificate or certificates for the number of full shares of Class A Common Stock or Class C Common Stock, as applicable, (if certificated) issuable upon the conversion of such shares. To the extent such shares of Class B Common Stock or Class D Common Stock as aforesaid are settled through the facilities of The Depository Trust Company or through the book entry facilities of the Class B Transfer Agent or Class D Transfer Agent, the Corporation shall, upon such holder's written order, issue and deliver the number of full shares of Class A Common Stock or Class C Common Stock, as applicable, issuable upon the conversion of such shares through the facilities of The Depository Trust Company to the account of the participant of The Depository Trust Company designated by such holder or through the

book entry facilities of the Class B Transfer Agent or Class D Transfer Agent. Each conversion of shares of Class B Common Stock or Class D Common Stock shall be deemed to have been effected on (i) the date on which such notice shall have been received by the Corporation, the Class B Transfer Agent or the Class D Transfer Agent, as applicable (subject to receipt by the Corporation, the Class B Transfer Agent or the Class D Transfer Agent, as applicable, within five business days thereafter of any required instruments of transfer as aforesaid), or (ii) such later date specified in or pursuant to such notice, and the person or persons in whose name or names any certificate or certificates for shares of Class A Common Stock or Class C Common Stock shall be issuable upon such conversion as aforesaid shall be deemed to have become on said date the holder or holders of record of the shares represented thereby.

(2) Notwithstanding anything in this Article IV.F to the contrary, any holder may withdraw or amend a notice of conversion, in whole or in part, prior to the effectiveness of the conversion, at any time prior to 5:00 p.m., New York City time, on the business day immediately preceding the date of the conversion (or any such later time as may be required by applicable law) by delivery of a written or electronic notice of withdrawal to the Corporation, the Class B Transfer Agent or the Class D Transfer Agent, as applicable, specifying (i) if applicable, the certificate numbers of the withdrawn shares of Class B Common Stock or Class D Common Stock, (ii) if any, the number of shares of Class B Common Stock or Class D Common Stock as to which the notice of conversion remains in effect and (iii) if the holder so determines, a new conversion date or any other new or revised information permitted in a notice of conversion. A notice of conversion may specify that the conversion is to be contingent (including as to timing) upon the consummation of a purchase by another person (whether in a tender or exchange offer, an underwritten offering or otherwise) of shares of the Class A Common Stock or Class C Common Stock into which the Class B Common Stock or Class D Common Stock, respectively, is convertible, or contingent (including as to timing) upon the closing of an announced merger, consolidation or other transaction or event in which the Class A Common Stock or Class C Common Stock would be exchanged or converted or become exchangeable for or convertible into cash or other securities or property.

G. Automatic Conversion of Class B Common Stock and Class D Common Stock.

(1) Each outstanding share of Class B Common Stock or Class D Common Stock will, automatically and without further action on the part of the Corporation or any holder of Class B Common Stock or Class D Common Stock, convert into one fully paid and non-assessable share of Class A Common Stock or Class C Common Stock, respectively, (i) immediately prior to any Transfer of such Class B Common Stock or Class D Common Stock, as applicable, by the initial registered holder thereof, other than a Permitted Transfer or (ii) upon the occurrence of the Triggering Event. Upon any conversion pursuant to this Article IV.G, the certificate or certificates that represented immediately prior thereto the shares of Class B Common Stock or Class D Common Stock that were so converted, automatically and without further action, shall represent the same number of shares of Class A Common Stock or Class C Common Stock, respectively, without the need for surrender or exchange thereof. As promptly as practicable following a conversion pursuant to this Article IV.G, the Corporation shall deliver or cause to be delivered to any holder whose shares of Class B Common Stock or Class D Common

Stock have been converted as a result of such conversion the number of shares of Class A Common Stock or Class C Common Stock deliverable upon such conversion, as applicable, registered in the name of such holder. To the extent such shares are settled through the facilities of The Depository Trust Company or through the book entry facilities of the Class B Transfer Agent or Class D Transfer Agent, the Corporation will, upon the written instruction of such holder, deliver the shares of Class A Common Stock or Class C Common Stock deliverable to such holder, through the facilities of The Depository Trust Company, to the account of the participant of The Depository Trust Company designated by such holder or through the book entry facilities of the Class B Transfer Agent or Class D Transfer Agent. Each share of Class B Common Stock and Class D Common Stock that is converted pursuant to this Article IV.G shall thereupon be retired by the Corporation and shall not be available for reissuance.

(2) The Corporation may, from time to time, establish such policies and procedures relating to the conversion of the Class B Common Stock and Class D Common Stock and the general administration of its multi-class common stock structure, including the issuance of stock certificates with respect thereto, as it may deem necessary or advisable, and may request that holders of shares of Class B Common Stock or Class D Common Stock furnish affidavits or other proof to the Corporation as it deems necessary to verify the ownership of Class B Common Stock or Class D Common Stock, as applicable, and to confirm that a conversion to Class A Common Stock or Class C Common Stock, respectively, has not occurred.

H. Unconverted Shares. If less than all of the shares of Class B Common Stock or Class D Common Stock evidenced by a certificate or certificates surrendered to the Corporation are converted, the Corporation shall execute and deliver to, or upon the written order of, the holder of such certificate or certificates a new certificate or certificates evidencing the number of shares of Common Stock which are not converted without charge to the holder.

I. No Conversion Rights of Class A Common Stock and Class C Common Stock. The Class A Common Stock and Class C Common Stock shall not have any conversion rights.

J. Reservation of Shares of Class A Common Stock for Conversion Right. The Corporation will at all times reserve and keep available out of its authorized and unissued shares of Class A Common Stock, solely for the purposes of conversions of Class B Common Stock, the number of shares of Class A Common Stock that are issuable upon conversion of all outstanding shares of Class B Common Stock, including any shares of Class B Common Stock issuable upon the exchange of all outstanding shares of Class D Common Stock, together with the corresponding Holding Units constituting the remainder of any Class D Paired Interests in which such shares are included, pursuant to Section 2.01 of the Exchange Agreement. The Corporation covenants that all the shares of Class A Common Stock that are issued upon conversion of such Class B Common Stock will, upon issuance, be validly issued, fully paid and non-assessable.

K. Reservation of Shares of Class C Common Stock for Conversion Right. The Corporation will at all times reserve and keep available out of its authorized and unissued shares of Class C Common Stock, solely for the purposes of conversions of Class D Common Stock, the number of shares of Class C Common Stock that are issuable upon conversion of all

outstanding shares of Class D Common Stock. The Corporation covenants that all the shares of Class C Common Stock that are issued upon conversion of Class D Common Stock will, upon issuance, be validly issued, fully paid and non-assessable.

L. Distributions with Respect to Converted Shares. No conversion pursuant to this Article IV shall impair the right of the converting stockholder to receive any dividends or other distributions payable on shares so converted in respect of a record date that occurs prior to the effective date for such conversion. For the avoidance of doubt, no converting stockholder shall be entitled to receive, in respect of a single record date, dividends or other distributions both on shares that are converted by such stockholder and on shares received by such stockholder in such conversion.

M. Exchange of Class C Common Stock and Class D Common Stock. Shares of Class C Common Stock or Class D Common Stock may be exchanged, together with the corresponding Holding Units constituting the remainder of any Class C Paired Interests or Class D Paired Interests in which such shares are included, as applicable, at any time and from time to time for shares of Class A Common Stock or Class B Common Stock, respectively, in accordance with Section 2.01 of the Exchange Agreement.

N. Taxes. The issuance of shares of Economic Common Stock upon the exercise by holders of shares of Non-Economic Common Stock of their right under Section 2.01 of the Exchange Agreement to exchange Paired Interests will be made without charge to the holders of the shares of Non-Economic Common Stock for any transfer taxes, stamp taxes or duties or other similar tax in respect of the issuance; provided, however, that if any such shares of Economic Common Stock are to be issued in a name other than that of the then record holder of the shares of Non-Economic Common Stock being exchanged (or The Depository Trust Company or its nominee for the account of a participant of The Depository Trust Company that will hold the shares for the account of such holder or the book entry facilities of the Class B Transfer Agent or Class D Transfer Agent), then such holder or the person in whose name such shares are to be delivered, shall pay to the Corporation the amount of any tax that may be payable in respect of any transfer involved in the issuance or shall establish to the reasonable satisfaction of the Corporation that the tax has been paid or is not payable.

O. Voting Limitation. Notwithstanding anything to the contrary in this Certificate of Incorporation, the number of votes per share of each RHI Security (each such share, the voting power of which is to be determined by this provision, the “Applicable Share”) at a time when, but for this provision, the aggregate voting power of the RHI Securities would be equal to or greater than 79% of the total voting power of the outstanding shares of capital stock of the Corporation shall be equal to the following formula:

$$\frac{\left(\left(\frac{w}{x} \right) * \left(\frac{0.79 * y}{0.21} \right) \right)}{z}$$

where

W = the aggregate voting power (but for this Article IV, Section O) of the RHI Securities of the same series as the Applicable Share;

X = the aggregate voting power (but for this Article IV, Section O) of all of the RHI Securities;

Y = the aggregate voting power of all outstanding shares of capital stock of the Corporation that are not RHI Securities; and

Z = the number of RHI Securities that are of the same series as the Applicable Share

provided that, in the event the holders of a class or series are entitled to vote separately as a class or series, the number of votes per share of each Applicable Share at a time when, but for this provision, the aggregate voting power of the RHI Securities of such class or series would be equal to or greater than 79% of the total voting power of the outstanding shares of capital stock of such class or series shall be equal to the following formula

$$\frac{\left(\frac{0.79 * y}{0.21} \right)}{z}$$

where

Y = the aggregate voting power of all outstanding shares of capital stock of the Corporation that are of the same series as the Applicable Share that are not RHI Securities; and

Z = the number of RHI Securities that are of the same series as the Applicable Share.

ARTICLE V

Board of Directors

A. Except as otherwise provided in this Certificate of Incorporation and the DGCL, the business and affairs of the Corporation shall be managed by or under the direction of the Board. Except as otherwise provided for or fixed pursuant to the provisions of Article IV.E relating to the rights of the holders of any series of Preferred Stock to elect additional Directors, the total number of directors constituting the whole Board shall be determined from time to time exclusively by the Board.

B. During any period when the holders of any series of Preferred Stock have the right to elect additional Directors as provided for or fixed pursuant to the provisions of Article IV.E (“Preferred Stock Directors”), upon the commencement, and for the duration, of the period during which such right continues: (i) the then total authorized number of Directors shall

automatically be increased by such specified number of Preferred Stock Directors, and the holders of the related Preferred Stock shall be entitled to elect the Preferred Stock Directors pursuant to the provisions of the Board's designation for the series of Preferred Stock, and (ii) each such Preferred Stock Director shall serve until such Preferred Stock Director's successor shall have been duly elected and qualified, or until such Preferred Stock Director's right to hold such office terminates pursuant to such provisions, whichever occurs earlier, subject to his or her earlier death, resignation, disqualification or removal. Except as otherwise provided by the Board in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect Preferred Stock Directors are divested of such right pursuant to the provisions of such stock, the terms of office of all such Preferred Stock Directors elected by the holders of such Preferred Stock, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such Preferred Stock Directors, shall forthwith terminate and the total and authorized number of Directors shall be reduced accordingly.

C. The Board (other than Preferred Stock Directors) shall be divided into three classes designated Class I, Class II and Class III. Each class shall consist, as nearly as possible, of one-third of the total number of such directors. Class I directors shall initially serve for a term expiring at the first annual meeting of stockholders following the date the Common Stock is first publicly traded (the "IPO Date"), Class II directors shall initially serve for a term expiring at the second annual meeting of stockholders following the IPO Date, and Class III directors shall initially serve for a term expiring at the third annual meeting of stockholders following the IPO Date. Commencing with the first annual meeting of stockholders following the IPO Date, each director of the class to be elected at each annual meeting shall be elected for a three-year term. If the total number of such directors is changed, any such additional director of any class elected to fill a newly created directorship resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case shall a decrease in the total number of directors remove or shorten the term of any incumbent director. Any such director shall hold office until the annual meeting at which his or her term expires and until his or her successor shall be elected and qualified, or his or her death, resignation, disqualification or removal from office. The Board is authorized to assign members of the Board to their respective class.

D. Subject to the rights of the holders of any one or more series of Preferred Stock then outstanding, any newly created directorship on the Board that results from an increase in the total number of directors and any vacancy occurring on the Board (whether by death, resignation, disqualification, removal or other cause) shall be filled by the affirmative vote of a majority of the directors then in office (even if less than a quorum), by a sole remaining director or by the stockholders; provided, however, that when RHI and the Permitted Transferees first cease to beneficially own, in the aggregate, more than 50% in voting power of the stock of the Corporation entitled to vote generally in the election of directors, any newly created directorship on the Board that results from an increase in the number of directors and any vacancy occurring on the Board shall be filled only by a majority of the directors then in office (even if less than a quorum), or by a sole remaining director (and not by stockholders). Any director elected to fill a vacancy or newly created directorship shall hold office until the next election of the class for

which such director shall have been chosen and until his or her successor shall be elected and qualified, or until his or her earlier death, resignation, disqualification or removal.

E. Except for Preferred Stock Directors, any or all of the directors may be removed at any time either with or without cause by the affirmative vote of a majority in voting power of all outstanding shares of stock of the Corporation entitled to vote thereon, voting together as a single class; provided, however, that when RHI and the Permitted Transferees first cease to beneficially own, in the aggregate, more than 50% in voting power of the stock of the Corporation entitled to vote generally in the election of directors, any such director or all such directors may be removed only for cause and only by the affirmative vote of the holders of at least 75% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE VI

Limitation of Liability

To the fullest extent permitted under the DGCL, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. Any amendment or repeal of this Article VI shall not adversely affect any right or protection of a director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment or repeal.

ARTICLE VII

Amendments

A. The Corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation; provided, however, that, notwithstanding any provision of applicable law or any other provision of this Certificate of Incorporation that might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the capital stock of this Corporation required by applicable law or by this Certificate of Incorporation, from and after the time when RHI and the Permitted Transferees first cease to beneficially own, in the aggregate, more than 50% in voting power of the stock of the Corporation entitled to vote generally in the election of directors, any amendment to Article II.B, Article V, Article VI, Article VIII, Article IX, Article X or this Article VII of this Certificate of Incorporation or repeal of this Certificate of Incorporation shall require the affirmative vote of the holders of at least 75% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

B. The Board shall have the power to adopt, amend or repeal the By-Laws. Any adoption, amendment or repeal of the By-Laws by the Board shall require the approval of a majority of the directors then in office (even if less than a quorum). The stockholders shall also have power to adopt, amend or repeal the By-Laws; provided, however, that, from and after the

time when RHI and the Permitted Transferees first cease to beneficially own, in the aggregate, more than 50% in voting power of the stock of the Corporation entitled to vote generally in the election of directors, any amendment to or repeal of the By-Laws (or the adoption of any provision inconsistent therewith) shall require the affirmative vote of the holders of at least 75% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE VIII

Corporate Opportunities

A. Neither the Corporation nor any RHI Party shall have any duty to refrain from engaging, directly or indirectly, in the same or similar activities or lines of business as the other corporation, doing business with any potential or actual customer or supplier of the other corporation, or employing or engaging or soliciting for employment any director, officer or employee of the other corporation, and no director or officer of the Corporation shall be liable to the Corporation or any of its subsidiaries or any stockholder for breach of any fiduciary or other duty under statutory or common law, as a director or officer or controlling stockholder or otherwise, by reason of any such activities, or for the presentation or direction to, or participation in, any such activities by any RHI Party. “RHI” shall mean, for purposes of this Article VIII only, Rock Holdings Inc. and its affiliates (excluding the Corporation and its subsidiaries). “RHI Party” shall mean, for purposes of this Article VIII only, RHI or any officer, director, member, partner or employee of RHI.

B. To the fullest extent permitted by applicable law:

(1) The Corporation, on behalf of itself and its subsidiaries, renounces any interest or expectancy of the Corporation and its subsidiaries in any business opportunity, transaction or other matter in which any RHI Party participates or desires or seeks to participate in, even if the opportunity is one that the Corporation or its subsidiaries might reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so; and

(2) Each such RHI Party shall have no duty to communicate or offer such business opportunity to the Corporation and shall not be liable to the Corporation or any of its subsidiaries or any stockholder for breach of any fiduciary or other duty under statutory or common law, as a director or officer or controlling stockholder or otherwise, by reason of the fact that such RHI Party pursues or acquires such business opportunity, directs such business opportunity to another person or fails to present such business opportunity, or information regarding such business opportunity, to the Corporation or its subsidiaries; and shall be deemed to have fully satisfied and fulfilled such person’s duties to the Corporation and its stockholders with respect to such business opportunity and to have acted in accordance with the standard of care set forth in the DGCL, or any successor statute, or law that is otherwise applicable to such RHI Parties under the Delaware law.

C. Notwithstanding the foregoing, the Corporation, on behalf of itself and its subsidiaries, does not hereby renounce any interest or expectancy it or its subsidiaries may have in any business opportunity, transaction or other matter that is offered to an RHI Party who is a director or officer of the Corporation and who is offered such opportunity solely in his or her capacity as a director or officer of the Corporation, as reasonably determined by such RHI Party.

D. Neither the amendment nor repeal of this Article VIII, nor the adoption of any provision of this Certificate of Incorporation or the By-Laws, nor, to the fullest extent permitted by Delaware law, any modification of law, shall adversely affect any right or protection of any person granted pursuant hereto existing at, or arising out of or related to any event, act or omission that occurred prior to, the time of such amendment, repeal, adoption or modification.

E. This Article VIII shall not limit any protections or defenses available to, or indemnification rights of, any director or officer of the Corporation under this Certificate of Incorporation, the By-Laws or applicable law.

ARTICLE IX

Section 203

A. The Corporation shall not be governed by Section 203 of the DGCL (“Section 203”), and the restrictions contained in Section 203 shall not apply to the Corporation.

B. Notwithstanding the foregoing, the Corporation shall not engage in any business combination (as defined below), at any point in time at which the Corporation’s Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, with any interested stockholder (as defined below) for a period of three years following the time that such stockholder became an interested stockholder, unless:

(1) prior to such time, the Board approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

(2) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock (as defined below) of the Corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) 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

(3) at or subsequent to such time, the business combination is approved by the Board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two thirds of the outstanding voting stock of the Corporation that is not owned by the interested stockholder.

C. For purposes of this Article IX, references to:

(1) “affiliate” means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another person.

(2) “associate” when used to indicate a relationship with any person, means: (i) any corporation, partnership, unincorporated association or other entity of which such person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock; (ii) any trust or other estate in which such person has at least a 20% beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity; and (iii) any relative or spouse of such person, or any relative of such spouse, who has the same residence as such person.

(3) “business combination,” when used in reference to the Corporation and any interested stockholder of the Corporation, means:

(a) (i) any merger or consolidation of the Corporation or any direct or indirect majority-owned subsidiary of the Corporation with the interested stockholder, or (ii) with any other corporation, partnership, unincorporated association or other entity if the merger or consolidation is caused by the interested stockholder and as a result of such merger or consolidation Article IX.B is not applicable to the surviving entity;

(b) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a stockholder of the Corporation, to or with the interested stockholder, whether as part of a dissolution or otherwise, of assets of the Corporation or of any direct or indirect majority-owned subsidiary of the Corporation which assets have an aggregate market value equal to 10% or more of either the aggregate market value of all the assets of the Corporation determined on a consolidated basis or the aggregate market value of all the outstanding stock of the Corporation;

(c) any transaction that results in the issuance or transfer by the Corporation or by any direct or indirect majority-owned subsidiary of the Corporation of any stock of the Corporation or of such subsidiary to the interested stockholder, except: (i) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into stock of the Corporation or any such subsidiary which securities were outstanding prior to the time that the interested stockholder became such; (ii) pursuant to a merger under Section 251(g) of the DGCL; (iii) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into stock of the Corporation or any such subsidiary which security is distributed, pro rata to all holders of a class or series of stock of the Corporation subsequent to the time the interested stockholder became such; (iv) pursuant to an exchange offer by the Corporation to purchase stock made on the same terms to all holders of said stock; or (v) any issuance or transfer of stock by the Corporation; provided, however, that in no case under items (iii) through (v) of this subsection (c) shall there be an increase in the interested stockholder’s

proportionate share of the stock of any class or series of the Corporation or of the voting stock of the Corporation (except as a result of immaterial changes due to fractional share adjustments);

(d) any transaction involving the Corporation or any direct or indirect majority-owned subsidiary of the Corporation that has the effect, directly or indirectly, of increasing the proportionate share of the stock of any class or series, or securities convertible into the stock of any class or series, of the Corporation or of any such subsidiary that is owned by the interested stockholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any shares of stock not caused, directly or indirectly, by the interested stockholder; or

(e) any receipt by the interested stockholder of the benefit, directly or indirectly (except proportionately as a stockholder of the Corporation), of any loans, advances, guarantees, pledges, or other financial benefits (other than those expressly permitted in subsections (i) through (iv) above) provided by or through the Corporation or any direct or indirect majority-owned subsidiary.

(4) “control,” including the terms “controlling,” “controlled by” and “under common control with,” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting stock, by contract, or otherwise. A person who is the owner of 20% or more of the outstanding voting stock of a corporation, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of control shall not apply where such person holds voting stock, in good faith and not for the purpose of circumventing this Article IX, as an agent, bank, broker, nominee, custodian or trustee for one or more owners who do not individually or as a group have control of such entity.

(5) “interested stockholder” means any person (other than the Corporation or any direct or indirect majority-owned subsidiary of the Corporation) that (i) is the owner of 15% or more of the outstanding voting stock of the Corporation, or (ii) is an affiliate or associate of the Corporation and was the owner of 15% or more of the outstanding voting stock of the Corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an interested stockholder; and the affiliates and associates of such person; but “interested stockholder” shall not include (a) RHI, any Rock Equityholder or any RHI Transferee or any of their respective affiliates or successors or any “group,” or any member of any such group, to which such persons are a party under Rule 13d-5 of the Exchange Act, or (b) any person whose ownership of shares in excess of the 15% limitation set forth herein is the result of any action taken solely by the Corporation; provided that in the case of clause (b), such person shall be an interested stockholder if thereafter such person acquires additional shares of voting stock of the Corporation, except as a result of further corporate action not caused, directly or indirectly, by such person. For the purpose of determining whether a person is an interested stockholder, the voting stock of the Corporation deemed to be outstanding shall include stock deemed to be owned by the person through

application of the definition of “owner” below but shall not include any other unissued stock of the Corporation that may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(6) “owner,” including the terms “own” and “owned,” when used with respect to any stock, means a person that individually or with or through any of its affiliates or associates:

(a) beneficially owns such stock, directly or indirectly; or

(b) has (i) the right to acquire such stock (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; provided, however, that a person shall not be deemed the owner of stock tendered pursuant to a tender or exchange offer made by such person or any of such person’s affiliates or associates until such tendered stock is accepted for purchase or exchange; or (ii) the right to vote such stock pursuant to any agreement, arrangement or understanding; provided, however, that a person shall not be deemed the owner of any stock because of such person’s right to vote such stock if the agreement, arrangement or understanding to vote such stock arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to ten or more persons; or

(c) has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent as described in item (b) of subsection (ii) above), or disposing of such stock with any other person that beneficially owns, or whose affiliates or associates beneficially own, directly or indirectly, such stock.

(7) “person” means any individual, corporation, partnership, unincorporated association or other entity.

(8) “RHI Transferee” means any person that acquires (other than in connection with a registered public offering) voting stock of the Corporation from RHI or any of its affiliates or successors or any “group,” or any member of any such group, to which such persons are a party under Rule 13d-5 of the Exchange Act and who is designated in writing by RHI as an “RHI Transferee.”

(9) “stock” means, with respect to any corporation, capital stock and, with respect to any other entity, any equity.

(10) “voting stock” means stock of any class or series entitled to vote generally in the election of directors and, with respect to any entity that is not a corporation, any equity interest entitled to vote generally in the election of the governing body of such entity. Every reference to a percentage of voting stock shall refer to such percentages of the votes of such voting stock.

ARTICLE X

Stockholder Matters

A. Until such time as RHI and the Permitted Transferees first cease to beneficially own, in the aggregate, more than 50% in voting power of the stock of the Corporation entitled to vote generally in the election of directors, any action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares 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 entitled to vote thereon were present and voted. From and after the time when RHI and the Permitted Transferees first cease to beneficially own, in the aggregate, more than 50% in voting power of the stock of the Corporation entitled to vote generally in the election of directors, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders.

B. Except as otherwise required by law and subject to the rights of the holders of any series of Preferred Stock, special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time only by or at the direction of the Board, the chairman of the Board or the Chief Executive Officer of the Corporation. Business transacted at special meetings of stockholders shall be confined to the purpose or purposes stated in the notice of meeting.

C. Advance notice of stockholder nominations for the election of directors of the Corporation and of business to be brought by stockholders before any meeting of stockholders of the Corporation shall be given in the manner provided in the By-Laws.

D. Any person purchasing or otherwise acquiring any interest in any securities of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Certificate of Incorporation.

ARTICLE XI

Exclusive Forums

A. Unless the Corporation consents in writing to the selection of an alternative forum, and subject to applicable jurisdictional requirements, the exclusive forums for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, or stockholder of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, this Certificate of Incorporation or the By-Laws, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be either the Third Judicial Circuit, Wayne County, Michigan (or, if the Third Judicial Circuit, Wayne County, Michigan lacks jurisdiction over such action or

proceeding, then another state court of the State of Michigan or, if no state court of the State of Michigan has jurisdiction, then the United States District Court for the Eastern District of Michigan) or the Court of Chancery of the State of Delaware (or, if the Court of Chancery of the State of Delaware lacks jurisdiction over such action or proceeding, then another state court of the State of Delaware or, if no state court of the State of Delaware has jurisdiction, then the United States District Court for the District of Delaware). This Article XI.A shall not apply to claims arising under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or other federal securities laws for which there is exclusive federal or concurrent federal and state jurisdiction.

B. Unless the Corporation consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended.

* * * *

[Signature appears on next page]

IN WITNESS WHEREOF, the undersigned, being an authorized officer of the Corporation, has executed, signed and acknowledged this Certificate of Incorporation as of this 5th day of August, 2020.

ROCKET COMPANIES, INC.

By: /s/ Jay Farner

Name: Jay Farner

Title: Chief Executive Officer

AMENDED AND RESTATED
BY-LAWS
OF
ROCKET COMPANIES, INC.

ARTICLE I
OFFICES

Section 1 **Registered Office.** The registered office of Rocket Companies, Inc. (the “Corporation”) shall be the office of the Corporation’s registered agent in the State of Delaware or such other office of the Corporation in the State of Delaware as established from time to time by the board of directors of the Corporation (the “Board”).

Section 2 **Other Offices.** Subject to Article II of the Certificate of Incorporation of the Corporation, as amended from time to time (the “Certificate of Incorporation”), the Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board may from time to time determine or the business of the Corporation may require.

ARTICLE II
STOCKHOLDERS

Section 1 **Place of Meeting.** Meetings of stockholders may be held at such place, if any, either within or without the State of Delaware, or by means of remote communication, as may be designated by the Board.

Section 2 **Annual Meeting.**

(a) A meeting of stockholders for the election of directors and such other business as may be properly brought before the meeting in accordance with these Amended and Restated By-Laws (these “By-Laws”) shall be held annually at such date and time as may be designated by the Board from time to time.

(b) At an annual meeting of the stockholders, only business (other than business relating to the nomination or election of directors which is governed by ARTICLE III, Section 3) that has been properly brought before the stockholder meeting in accordance with the procedures set forth in this ARTICLE II, Section 2 shall be conducted. To be properly brought before a meeting of stockholders, such business must be brought before the meeting (i) by or at the direction of the Board or any committee thereof or (ii) by a stockholder who (A) was a stockholder of record of the Corporation when the notice required by this ARTICLE II, Section 2 is delivered to the Secretary of the Corporation and at the time of the meeting, (B) is entitled to vote at the meeting and (c) complies with the notice and other provisions of this ARTICLE II, Section 2. Subject to ARTICLE II, Section 2(l), and except with respect to nominations or

elections of directors, which are governed by ARTICLE III, Section 3, ARTICLE II, Section 2(b)(ii) is the exclusive means by which a stockholder may bring business before a meeting of stockholders. Any business brought before a meeting in accordance with ARTICLE II, Section 2 is referred to as “Stockholder Business”.

(c) Subject to ARTICLE II, Section 2(l), at any annual meeting of stockholders, all proposals of Stockholder Business must be made by timely written notice given by or on behalf of a stockholder of record of the Corporation (the “Notice of Business”) and must otherwise be a proper matter for stockholder action. To be timely, the Notice of Business must be delivered personally or mailed to, and received at the executive office of the Corporation, addressed to the Secretary of the Corporation, by no earlier than 120 days and no later than 90 days before the first anniversary of the date of the prior year’s annual meeting of stockholders; provided, however, that if (i) the annual meeting of stockholders is advanced by more than 30 days, or delayed by more than 60 days, from the first anniversary of the prior year’s annual meeting of stockholders, (ii) no annual meeting was held during the prior year or (iii) in the case of the Corporation’s first annual meeting of stockholders as a corporation with a class of equity security registered under the Securities Exchange Act of 1934 (the “Exchange Act”), the notice by the stockholder to be timely must be received (A) no earlier than 120 days before such annual meeting and (B) no later than the later of 90 days before such annual meeting and the tenth day after the day on which the notice of such annual meeting was first made by mail or Public Disclosure. In no event shall an adjournment, postponement or deferral, or Public Disclosure of an adjournment, postponement or deferral, of a stockholder meeting commence a new time period (or extend any time period) for the giving of the Notice of Business.

(d) The Notice of Business must set forth:

(i) the name and record address of each stockholder proposing Stockholder Business (the “Proponent”), as they appear on the Corporation’s books;

(ii) the name and address of any Stockholder Associated Person;

(iii) as to each Proponent and any Stockholder Associated Person, (A) the class or series and number of shares of stock directly or indirectly held of record and beneficially owned by the Proponent or Stockholder Associated Person, (B) the date such shares of stock were acquired, (C) a description of any agreement, arrangement or understanding, direct or indirect, with respect to such Stockholder Business between or among the Proponent, any Stockholder Associated Person or any others (including their names) acting in concert with any of the foregoing, (D) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, hedging transactions and borrowed or loaned shares) that has been entered into, directly or indirectly, by the Proponent or any Stockholder Associated Person and that remains in effect, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of the Proponent or any Stockholder Associated Person with respect to shares of stock of the Corporation (a “Derivative”) and (E) a description in reasonable detail of any proxy (including revocable proxies), contract, arrangement, understanding or other relationship

pursuant to which the Proponent or any Stockholder Associated Person has a right to vote any shares of stock of the Corporation. The information specified in ARTICLE II, Section 2(d)(i) to (iii) is referred to herein as “Stockholder Information”;

(iv) a representation that each Proponent is a holder of record of stock of the Corporation entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to propose such Stockholder Business;

(v) a brief description of the Stockholder Business desired to be brought before the annual meeting, the text of the proposal (including the text of any resolutions proposed for consideration and, if such business includes a proposal to amend the By-Laws, the language of the proposed amendment) and the reasons for conducting such Stockholder Business at the meeting;

(vi) any material interest of each Proponent and any Stockholder Associated Person in such Stockholder Business;

(vii) a representation as to whether the Proponent intends (A) to deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation’s outstanding capital stock required to approve or adopt such Stockholder Business or (B) otherwise to solicit proxies from stockholders in support of such Stockholder Business;

(viii) all other information that would be required to be filed with the U.S. Securities and Exchange Commission (“SEC”) if the Proponents or Stockholder Associated Persons were participants in a solicitation subject to Section 14 of the Exchange Act; and

(ix) a representation that the Proponents shall provide any other information reasonably requested by the Corporation.

(e) The Proponents shall also provide any other information reasonably requested from time to time by the Corporation within ten business days after each such request.

(f) In addition, the Proponent shall affirm as true and correct the information provided to the Corporation in the Notice of Business or at the Corporation’s request pursuant to ARTICLE II, Section 2(e) (and shall update or supplement such information as needed so that such information shall be true and correct) as of (i) the record date for the meeting, (ii) the date that is ten calendar days before the first anniversary date of the Corporation’s proxy statement released to stockholders in connection with the previous year’s annual meeting and (iii) the date that is ten business days before the meeting and, if applicable, before reconvening any adjournment or postponement thereof. Such affirmation, update and/or supplement must be delivered personally or mailed to, and received at the executive office of the Corporation, addressed to the Secretary of the Corporation, by no later than (x) five business days after the applicable date specified in clause (i) or (ii) of the foregoing sentence (in the case of the affirmation, update and/or supplement required to be made as of those dates), and (y) not

later than seven business days before the date for the meeting (in the case of the affirmation, update and/or supplement required to be made as of ten business days before the meeting or reconvening any adjournment or postponement thereof).

(g) The person presiding over the meeting shall, if the facts warrant, determine and declare to the meeting, that business was not properly brought before the meeting in accordance with the procedures set forth in this ARTICLE II, Section 2. Any such business not properly brought before the meeting shall not be transacted.

(h) If the Proponent (or a qualified representative of the Proponent) does not appear at the meeting of stockholders to present the Stockholder Business such business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this ARTICLE II, Section 2, to be considered a qualified representative of the Proponent, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such Stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(i) “Public Disclosure” of any date or other information means disclosure thereof by a press release reported by the Dow Jones News Services, Associated Press or comparable U.S. national news service or in a document publicly filed by the Corporation with the SEC pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

(j) “Stockholder Associated Person” means with respect to any stockholder, (i) any other beneficial owner of stock of the Corporation that is owned by such stockholder and (ii) any person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the stockholder or such beneficial owner.

(k) “Control,” including the terms “controlling,” “controlled by” and “under common control with,” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting stock, by contract, or otherwise. A person who is the owner of 20% or more of the outstanding voting stock of a corporation, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of control shall not apply where such person holds voting stock, in good faith and not for the purpose of circumventing Article X of the Certificate of Incorporation, as an agent, bank, broker, nominee, custodian or trustee for one or more owners who do not individually or as a group have control of such entity.

(l) The notice requirements of this ARTICLE II, Section 2 shall be deemed satisfied with respect to stockholder proposals that have been properly brought under Rule 14a-8 of the Exchange Act and that are included in a proxy statement that has been

prepared by the Corporation to solicit proxies for such annual meeting. Further, nothing in this ARTICLE II, Section 2 shall be deemed to affect any rights of the holders of any series of preferred stock of the Corporation pursuant to any applicable provision of the Certificate of Incorporation.

Section 3 **Special Meetings.** Special meetings of the stockholders may be called only by the Chairman of the Board, a majority of members of the Board then in office or the Chief Executive Officer. Business transacted at any special meeting of the stockholders shall be limited to the purposes stated in the notice.

Section 4 **Record Date.**

(a) For the purpose of determining the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, unless otherwise required by the Certificate of Incorporation or applicable law, the Board may fix a record date (the “Notice Record Date”), which record date shall not precede the date on which the resolution fixing the record date was adopted by the Board and shall not be more than 60 or less than ten days before the date of such meeting. The Notice Record Date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such Notice Record Date, that a later date on or before the date of the meeting shall be the date for making such determination (the “Voting Record Date”). Subject to ARTICLE II, Section 12, for the purposes of determining the stockholders entitled to express consent to corporate action in writing without a meeting, unless otherwise required by the Certificate of Incorporation or applicable law, the Board may fix a record date, which record date shall not precede the date on which the resolution fixing the record date was adopted by the Board and shall not be more than ten days after the date on which the record date was fixed by the Board. For the purposes of determining the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, exercise any rights in respect of any change, conversion or exchange of stock or take any other lawful action, unless otherwise required by the Certificate of Incorporation or applicable law, the Board may fix a record date, which record date shall not precede the date on which the resolution fixing the record date was adopted by the Board and shall not be more than 60 days prior to such action.

(b) Subject to ARTICLE II, Section 12, if no such record date is fixed by the Board:

(i) The record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held;

(ii) The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting (when permitted by, and unless otherwise provided in, the Certificate of Incorporation), when no prior action by the Board is required by applicable law, shall be the first day on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with

applicable law; and when prior action by the Board is required by applicable law, the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board takes such prior action; and

(iii) The record date for the purposes of determining the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, exercise any rights in respect of any change, conversion or exchange of stock or take any other lawful action shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

(c) When a determination of stockholders of record entitled to notice of or to vote at any meeting of stockholders has been made as provided in this ARTICLE II, Section 4, such determination shall apply to any adjournment thereof, unless the Board fixes a new Voting Record Date for the adjourned meeting, in which case the Board shall also fix such Voting Record Date or a date earlier than such date as the new Notice Record Date for the adjourned meeting.

Section 5 **Notice of Meetings of Stockholders.** Whenever under the provisions of applicable law, the Certificate of Incorporation or these By-laws, stockholders are required or permitted to take any action at a meeting, a notice of the meeting in the form of a writing or electronic transmission shall be given stating the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the Notice Record Date and the Voting Record Date, if such date is different from the Notice Record Date, and, in the case of a special meeting, the purposes for which the meeting is called. Unless otherwise provided by these By-laws or applicable law, notice of any meeting shall be given, not less than ten nor more than 60 days before the date of the meeting, to each stockholder entitled to vote at such meeting as of the Notice Record Date. If mailed, such notice shall be deemed to be given when deposited in the U.S. mail, with postage prepaid, directed to the stockholder at his or her address as it appears on the records of the Corporation. If given by electronic mail, such notice shall be deemed to be given when directed to such stockholder's electronic mail address unless the stockholder has notified the Corporation in writing or by electronic transmission of an objection to receiving notice by electronic mail or such notice is prohibited pursuant to the terms of the Delaware General Corporation Law (as amended from time to time, the "DGCL"). A notice by electronic mail must include a prominent legend that the communication is an important notice regarding the Corporation. An affidavit of the Secretary or the transfer agent of the Corporation that the notice required by this ARTICLE II, Section 5 has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. If a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place, if any, thereof, and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. Any business that might have been transacted at the meeting as originally called may be transacted at the adjourned meeting. If, however, the adjournment is for more than 30 days, or if after the adjournment a new Notice Record Date is

fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new Voting Record Date is fixed for the adjourned meeting, the Board shall fix a new Notice Record Date in accordance with ARTICLE II, Section 4(c) hereof and shall give notice of such adjourned meeting to each stockholder entitled to vote at such meeting as of the Notice Record Date.

Section 6 Waivers of Notice. Whenever the giving of any notice to stockholders is required by applicable law, the Certificate of Incorporation or these By-laws, a written waiver, signed by the stockholder entitled to notice, or a waiver by electronic transmission by such stockholder, whether before or after the event as to which such notice is required, shall be deemed equivalent to notice. Attendance by a stockholder at a meeting shall constitute a waiver of notice of such meeting except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting has not been lawfully called or convened. Neither the business to be transacted at, nor the purposes of, any regular or special meeting of the stockholders need be specified in any waiver of notice.

Section 7 List of Stockholders. The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete, alphabetical list of the stockholders entitled to vote at the meeting, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list may be examined by any stockholder, at the stockholder's expense, for any purpose germane to the meeting, for a period of at least ten days prior to the meeting, during ordinary business hours at the principal place of business of the Corporation or on a reasonably accessible electronic network as provided by applicable law. If the meeting is to be held at a place, the list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. If the meeting is held solely by means of remote communication, the list shall also be open for inspection as provided by applicable law. Except as provided by applicable law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders or to vote in person or by proxy at any meeting of stockholders.

Section 8 Quorum of Stockholders; Adjournment. Except as otherwise provided by these By-laws, at each meeting of stockholders, the presence in person or represented by proxy of the holders of a majority of the voting power of all outstanding shares of stock entitled to vote at the meeting of stockholders shall constitute a quorum for the transaction of any business at such meeting. In the absence of a quorum, the person presiding over the meeting in accordance with ARTICLE II, Section 11 or, in the absence of such person, the holders of a majority of the voting power of the shares of stock present in person or represented by proxy at any meeting of stockholders, including an adjourned meeting, may adjourn such meeting to another time or place. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

Section 9 Voting; Proxies. At any meeting of stockholders, all matters other than the election of directors, except as otherwise provided by the Certificate of Incorporation, these By-laws or any applicable law, shall be decided by the affirmative vote of a majority of the voting power of shares of stock present in person or represented by proxy and entitled to vote thereon. At all meetings of stockholders for the election of directors, directors shall be elected by a plurality of the votes cast. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only so long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary a revocation of the proxy or by delivering a new duly authorized proxy bearing a later date.

Section 10 Voting Procedures and Inspectors at Meetings of Stockholders. The Board, in advance of any meeting of stockholders, shall appoint one or more inspectors, who may be employees of the Corporation, to act at the meeting and make a written report thereof. The Board may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall (a) ascertain the number of shares outstanding and the voting power of each, (b) determine the shares represented at the meeting and the validity of proxies and ballots, (c) count all votes and ballots, (d) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors and (e) certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of their duties. Unless otherwise provided by the Board, the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be determined by the person presiding at the meeting and shall be announced at the meeting. No ballot, proxies, votes or any revocation thereof or change thereto shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery of the State of Delaware upon application by a stockholder shall determine otherwise. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for office at an election may serve as an inspector at such election.

Section 11 Conduct of Meetings; Adjournment. The Board may adopt such rules and procedures for the conduct of stockholder meetings as it deems appropriate. At each meeting of stockholders, any officer of the Corporation designated by the Board or, in the absence of such person, the Chief Executive Officer or, in the absence of the Chief Executive Officer, the Chairman shall preside over the meeting. Except to the extent inconsistent with the rules and procedures as adopted by the Board, the person presiding over the meeting of stockholders shall have the right and authority to convene, adjourn and reconvene the meeting from time to time, to

prescribe such additional rules and procedures and to do all such acts as, in the judgment of such person, are appropriate for the proper conduct of the meeting. Such rules and procedures, whether adopted by the Board or prescribed by the person presiding over the meeting, may include (a) the establishment of an agenda or order of business for the meeting, (b) rules and procedures for maintaining order at the meeting and the safety of those present, (c) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the person presiding over the meeting shall determine, (d) restrictions on entry to the meeting after the time fixed for the commencement thereof and (e) limitations on the time allotted to questions or comments by participants. Subject to any prior, contrary determination by the Board, the person presiding over any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, may determine and declare to the meeting that a matter or business was not properly brought before the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure. The Secretary shall act as secretary of the meeting. If none of the officers above designated to act as the person presiding over the meeting or as secretary of the meeting shall be present, a person presiding over the meeting or a secretary of the meeting, as the case may be, shall be designated by the Board and, if the Board has not so acted, in the case of the designation of a person to act as secretary of the meeting, designated by the person presiding over the meeting.

ARTICLE III

DIRECTORS

Section 1 **Power; Number and Tenure.** The business and affairs of the Corporation shall be managed by the Board, the number thereof to be determined in accordance with the Certificate of Incorporation. The Board may adopt such rules and procedures, not inconsistent with the Certificate of Incorporation, these By-Laws or applicable law, as it may deem proper for the conduct of its meetings and the management of the Corporation.

Section 2 **Election; Resignation.** Directors shall be elected for such terms and in accordance with the Certificate of Incorporation and applicable law. Each director shall hold office until such director's successor is duly elected and qualified, or until such director's earlier death, resignation, disqualification or removal. Any director may resign at any time upon written notice to the Corporation.

Section 3 **Nominations of Directors.**

(a) Subject to ARTICLE III, Section 3(k), only persons who are nominated in accordance with the procedures set forth in this ARTICLE III, Section 3 are eligible for election as directors.

(b) Nominations of persons for election to the Board may only be made at a meeting properly called for the election of directors and only (i) by or at the direction of the Board or any committee thereof or (ii) by a stockholder who (A) was a stockholder of record of the Corporation when the notice required by this ARTICLE III, Section 3 is delivered to the Secretary of the Corporation and at the time of the meeting, (B) is entitled to vote for the election of directors at the meeting and (C) complies with the notice and other provisions of this ARTICLE III, Section 3. Subject to ARTICLE III, Section 3(k), ARTICLE III, Section 3(b)(ii) is the exclusive means by which a stockholder may nominate a person for election to the Board. Persons nominated in accordance with ARTICLE III, Section 3(b)(ii) are referred to as “Stockholder Nominees”. A stockholder nominating persons for election to the Board is referred to as the “Nominating Stockholder”.

(c) Subject to ARTICLE III, Section 3(k), all nominations of Stockholder Nominees must be made by timely written notice given by or on behalf of a stockholder of record of the Corporation (the “Notice of Nomination”). To be timely, the Notice of Nomination must be delivered personally or mailed to and received at the executive office of the Corporation, addressed to the attention of the Secretary of the Corporation, by the following dates:

(i) in the case of the nomination of a Stockholder Nominee for election to the Board at an annual meeting of stockholders, no earlier than 120 days and no later than 90 days before the first anniversary of the date of the prior year’s annual meeting of stockholders; provided, however, that if (A) the annual meeting of stockholders is advanced by more than 30 days, or delayed by more than 60 days, from the first anniversary of the prior year’s annual meeting of stockholders, (B) no annual meeting was held during the prior year or (C) in the case of the Corporation’s first annual meeting of stockholders as a corporation with a class of equity security registered under the Exchange Act, the notice by the stockholder to be timely must be received (1) no earlier than 120 days before such annual meeting and (2) no later than the later of 90 days before such annual meeting and the tenth day after the day on which the notice of such annual meeting was first made by mail or Public Disclosure, and

(ii) in the case of the nomination of a Stockholder Nominee for election to the Board at a special meeting of stockholders, no earlier than 120 days before and no later than the later of 90 days before such special meeting and the tenth day after the day on which the notice of such special meeting was first made by mail or Public Disclosure.

(d) Notwithstanding anything to the contrary, if the number of directors to be elected to the Board at a meeting of stockholders is increased and there is no Public Disclosure by the Corporation naming the nominees for the additional directorships at least 100 days before the first anniversary of the preceding year’s annual meeting, a Notice of Nomination shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered personally and received at the executive office of the Corporation, addressed to the attention of the Secretary of the Corporation, no later than the close of business on the tenth day following the day on which such Public Disclosure is first made by the Corporation.

(e) In no event shall an adjournment, postponement or deferral, or Public Disclosure of an adjournment, postponement or deferral, of an annual or special meeting commence a new time period (or extend any time period) for the giving of the Notice of Nomination.

(f) The Notice of Nomination shall set forth:

(i) the Stockholder Information with respect to each Nominating Stockholder and Stockholder Associated Person (except that references to the “Proponent” in ARTICLE II, Section 2(d)(i) to (iii) shall instead refer to the “Nominating Stockholder,” and the disclosure required by ARTICLE II, Section 2(d)(iii)(C) may be omitted, for purposes of this ARTICLE III, Section 3(f)(i));

(ii) a representation that each Nominating Stockholder is a holder of record of stock of the Corporation entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to propose such nomination;

(iii) all information regarding each Stockholder Nominee and Stockholder Associated Person that would be required to be disclosed in a solicitation of proxies subject to Section 14 of the Exchange Act, the written consent of each Stockholder Nominee to being named in a proxy statement as a nominee and to serve if elected and a completed signed questionnaire, representation and agreement required by ARTICLE III, Section 4;

(iv) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among a Nominating Stockholder, Stockholder Associated Person or their respective associates, or others acting in concert therewith, including all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the Nominating Stockholder, Stockholder Associated Person or any person acting in concert therewith, were the “registrant” for purposes of such rule and the Stockholder Nominee were a director or executive of such registrant;

(v) a representation as to whether the Nominating Stockholders intends (A) to deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation’s outstanding capital stock required to approve the nomination or (B) otherwise to solicit proxies from stockholders in support of such nomination;

(vi) all other information that would be required to be filed with the SEC if the Nominating Stockholders and Stockholder Associated Person were participants in a solicitation subject to Section 14 of the Exchange Act; and

(vii) a representation that the Nominating Stockholders shall provide any other information reasonably requested by the Corporation.

(g) The Nominating Stockholders shall also provide any other information reasonably requested from time to time by the Corporation within ten business days after each such request.

(h) In addition, the Nominating Stockholder shall affirm as true and correct the information provided to the Corporation in the Notice of Nomination or at the Corporation's request pursuant to ARTICLE III, Section 3(g) (and shall update or supplement such information as needed so that such information shall be true and correct) as of (i) the record date for the meeting, (ii) the date that is ten calendar days before the first anniversary date of the Corporation's proxy statement released to stockholders in connection with the previous year's annual meeting (in the case of an annual meeting) or 50 days before the date of the meeting (in the case of a special meeting) and (iii) the date that is ten business days before the date of the meeting or any adjournment or postponement thereof. Such affirmation, update and/or supplement must be delivered personally or mailed to, and received at the executive office of the Corporation, addressed to the Secretary of the Corporation, by no later than (1) five business days after the applicable date specified in clause (i) or (ii) of the foregoing sentence (in the case of the affirmation, update and/or supplement required to be made as of those dates), and (2) not later than seven business days before the date for the meeting (in the case of the affirmation, update and/or supplement required to be made as of ten business days before the meeting or reconvening any adjournment or postponement thereof).

(i) The person presiding over the meeting shall, if the facts warrant, determine and declare to the meeting, that the nomination was not made in accordance with the procedures set forth in this ARTICLE III, Section 3. Any such defective nomination shall be disregarded.

(j) If the Nominating Stockholder (or a qualified representative of the Nominating Stockholder) does not appear at the applicable stockholder meeting to nominate the Stockholder Nominees, such nomination shall be disregarded and such Stockholder Nominees shall not be qualified for election as Directors, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this ARTICLE III, Section 3, to be considered a qualified representative of the Nominating Stockholder, a person must be a duly authorized officer, manager or partner of such Nominating Stockholder or must be authorized by a writing executed by such Nominating Stockholder or an electronic transmission delivered by such Nominating Stockholder to act for such Nominating Stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(k) Nothing in this ARTICLE III, Section 3 shall be deemed to affect any rights of the holders of any series of preferred stock of the Corporation pursuant to any applicable provision of the Certificate of Incorporation.

Section 4 **Nominee Qualifications**. To be eligible to be a nominee for election or reelection as a director, the nominee must deliver (in accordance with the time periods prescribed for delivery of a Notice of Nomination under ARTICLE III, Section 3 (in the case of a

Stockholder Nominee) or in accordance with any time periods required from time to time by any policy of the Board or Corporation generally applicable to all Directors (in the case of a person nominated by or at the direction of the Board or any committee thereof)) to the Secretary of the Corporation at the executive office of the Corporation (a) a completed and signed written questionnaire (in the form provided by the Secretary upon written request) with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made, (b) information as necessary to permit the Board to determine if each such nominee (i) is independent under applicable listing standards, any applicable rules of the SEC and any publicly disclosed standards used by the Board in determining and disclosing the independence of the directors, (ii) is not or has not been, within the past three years, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, as amended, or (iii) is not a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in a criminal proceeding within the past ten years, (c) a written representation and agreement (in the form provided by the Secretary of the Corporation upon written request) that such person (i) is not and will not become a party to (A) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person will act or vote as a Director on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (B) any Voting Commitment that could limit or interfere with such person's ability to comply with such person's fiduciary duties as a Director under applicable law, (ii) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed to the Corporation, (iii) will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading and other policies and guidelines of the Corporation that are applicable to directors and (iv) currently intends to serve as a director for the full term for which he or she is standing for election and (d) such person's written consent to being named as a nominee for election of a Director and to serving as a Director if elected.

Section 5 **Vacancies**. Any vacancy occurring on the Board shall be filled in the manner prescribed in the Certificate of Incorporation.

Section 6 **Regular Meetings**. Regular meetings of the Board shall be held at such dates, times and places as may be designated by the Chairman of the Board or a majority of the members of the Board then in office. Notice of regular meetings need not be given if the date, times and places thereof are fixed by resolution of the Board.

Section 7 **Special Meetings**. Special meetings of the Board may be called by or at the request of the Chairman of the Board, the Chief Executive Officer or a majority of the members of the Board then in office. The person or persons calling a special meeting of the Board may fix a place and time within or without the State of Delaware for holding such meeting.

Section 8 **Notice**. Notice of any regular meeting or special meeting shall be given to each director, either orally, by facsimile or other means of electronic communication or by hand

delivery, addressed to each director at his or her address as it appears on the records of the Corporation. If notice be by facsimile or other means of electronic communication, such notice shall be deemed to be adequately delivered when the notice is transmitted at least 24 hours before such meeting. If by telephone or by hand delivery, the notice shall be given at least 24 hours prior to the time set for the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice of such meeting.

Section 9 **Waiver of Notice**. Whenever the giving of any notice to directors is required by applicable law, the Certificate of Incorporation or these By-laws, a written waiver signed by the director, or a waiver by electronic transmission by such director, whether before or after such notice is required, shall be deemed equivalent to notice. Attendance by a director at a meeting shall constitute a waiver of notice of such meeting except when the director attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting was not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special Board or Directors or committee meeting need be specified in any waiver of notice.

Section 10 **Organization**. At each meeting of the Board, the Chairman or, in his or her absence, another Director selected by the Board shall preside. The Secretary shall act as secretary at each meeting of the Board. If the Secretary is absent from any meeting of the Board, the person presiding at the meeting may appoint any person to act as secretary of the meeting.

Section 11 **Quorum**. At all meetings of the Board, a majority of the total number of directors shall constitute a quorum for the transaction of business; provided, however, that in no case shall a quorum consist of less than one-third of the total number of directors that the Corporation would have if there were no vacancies on the Board.

Section 12 **Adjourned Meetings**. A majority of the directors present at any meeting of the Board, including an adjourned meeting, whether or not a quorum is present, may adjourn and reconvene such meeting to another time and place. Notice of any adjourned meeting of the Board shall be given to each director whether or not present at the time of the adjournment; provided, however, that notice of the adjourned meeting need not be given if (a) the adjournment is for 24 hours or less and (b) the time, place, if any, and means of remote communication, if any, are announced at the meeting at which the adjournment is taken. Any business may be transacted at an adjourned meeting that might have been transacted at the meeting as originally called.

Section 13 **Action by Majority Vote**. Except as otherwise expressly required by these By-laws or the Certificate of Incorporation, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board.

Section 14 **Action Without Meeting**. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all members of the Board or such committee, as the case may be, consent thereto in writing or by electronic communication and such written consent or consents and copies of such

communication or communications are filed with the minutes of proceedings of the Board or committee.

Section 15 **Action by Conference Telephone.** Members of the Board or any committee thereof may participate in a meeting of such Board or committee by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other at the same time, and such participation in a meeting shall constitute presence in person at such meeting.

Section 16 **Committees.** The Board may from time to time designate one or more committees of the Board in accordance with Section 141(c) of the DGCL. Unless the Board provides otherwise, at all meetings of such committee, a majority of the then authorized number of members of the committee shall constitute a quorum for the transaction of business, and the vote of a majority of the members of the committee present at any meeting at which there is a quorum shall be the act of the committee. Each committee shall keep regular minutes of its meetings. Unless the Board provides otherwise, each committee designated by the Board may make, alter and repeal rules and procedures for the conduct of its business. In the absence of such rules and procedures each committee shall conduct its business in the same manner as the Board conducts its business pursuant to this ARTICLE III.

Section 17 **Chairman of the Board.** The Corporation may have, at the discretion of the Board, a Chairman of the Board who shall be elected by the Board from their own numbers and shall preside as Chairman at all meetings of the stockholders and of the Board. The Chairman shall have such other powers and duties as provided in these By-laws and as the Board may from time to time prescribe.

ARTICLE IV

OFFICERS

Section 1 **Positions; Election.** The offices of the Corporation shall include a Chief Executive Officer, a President, a Secretary and a Treasurer and such other offices, including a Chief Operating Officer and a Chief Financial Officer, as the Board may elect from time to time. All officers elected by the Board shall each exercise such powers and perform such duties as shall be determined by the Board from time to time. Any number of offices may be held by the same person.

Section 2 **Term of Office.** Each officer of the Corporation shall hold office until such officer's successor is elected by the Board or until such officer's earlier death, resignation or removal. Any officer may resign at any time upon written notice to the Corporation. Such resignation shall take effect at the time of receipt of such notice or at such later time, or at such later time determined upon the happening of an event, as is therein specified. The resignation of an officer shall be without prejudice to the contract rights of the Corporation, if any. Any officer may be removed at any time with or without cause by the Board. Any vacancy occurring in any office of the Corporation may be filled by the Board. The election or appointment of an officer shall not of itself create contract rights.

Section 3 **Chief Executive Officer.** The Chief Executive Officer shall have general supervision over the business of the Corporation and other duties incident to the office of Chief Executive Officer, and any other duties as may from time to time be assigned to the Chief Executive Officer by the Board and subject to the control of the Board in each case.

Section 4 **President.** The President shall act in a general executive capacity and shall assist the Chief Executive Officer in the administration and operation of the Corporation's business and general supervision of its policies and affairs and shall, in general, perform all duties incident to the office of President of a corporation and such other duties as may from time to time be assigned to the President by the Board or the Chief Executive Officer.

Section 5 **Chief Operating Officer.** The Chief Operating Officer shall, in general, perform all duties incident to the office of Chief Operating Officer of a corporation and such other duties as may from time to time be assigned to the Chief Operating Officer by the Board or the Chief Executive Officer.

Section 6 **Chief Financial Officer.** The Chief Financial Officer shall act in an executive financial capacity. The Chief Financial Officer shall assist the Chief Executive Officer and the President in the general supervision of the Corporation's financial policies and affairs. The Chief Financial Officer shall, in general, perform all duties incident to the office of Chief Financial Officer of a corporation and such other duties as may from time to time be assigned to the Chief Financial Officer by the Board or the Chief Executive Officer.

Section 7 **Secretary.** The Secretary shall record all the proceedings of the meetings of the Board and of the stockholders in a book to be kept for that purpose and perform like duties for committees of the Board, when required. The Secretary shall give, or cause to be given, notice of all special meetings of the Board and all meetings of the stockholders and, in general, perform all duties incident to the office of secretary of a corporation and such other duties as may from time to time be assigned to the Secretary by the Board or the Chief Executive Officer.

Section 8 **Treasurer.** The Treasurer shall have charge and custody of, and be responsible for, all funds, securities and notes of the Corporation and, in general, perform all duties incident to the office of Treasurer of a corporation and such other duties as may from time to time be assigned to the Treasurer by the Board or the Chief Executive Officer.

Section 9 **Actions with Respect to Securities of Other Entities.** All stock and other securities of other entities owned or held by the Corporation for itself, or for other parties in any capacity, shall be voted (including by written consent), and all proxies with respect thereto shall be executed, by the person or persons authorized to do so by resolution of the Board or, in the absence of such authorization, by the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Secretary or the Treasurer. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by the person having such authority.

ARTICLE V

CERTIFICATES OF STOCK

Section 1 **Certificates Representing Shares.** The shares of stock of the Corporation shall be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. If shares are represented by certificates (if any) such certificates shall be in the form approved by the Board. Every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of, the Corporation by any two authorized officers of the Corporation. Any or all such signatures may be facsimiles. Although any officer, transfer agent or registrar whose manual or facsimile signature is affixed to such a certificate ceases to be such officer, transfer agent or registrar before such certificate has been issued, it may nevertheless be issued by the Corporation with the same effect as if such officer, transfer agent or registrar were still such at the date of its issue.

Section 2 **Transfer and Registry Agents.** The Corporation may from time to time maintain one or more transfer offices or agents and registry offices or agents at such place or places as may be determined from time to time by the Board.

Section 3 **Lost, Stolen or Destroyed Certificates.** The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate or his legal representative to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

ARTICLE VI

INDEMNIFICATION

Section 1 **Right to Indemnification.** The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (a "Covered Person") who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another entity or enterprise, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement (except for judgments, fines and amounts paid in settlement in any action or suit by or in the right of the Corporation to procure a judgment in its favor) actually and reasonably incurred by such Covered Person. Notwithstanding the preceding sentence, except as otherwise provided in ARTICLE VI, Section 3, the Corporation shall be required to indemnify a Covered Person in connection with a Proceeding (or part thereof) commenced by such Covered Person only if the

commencement of such Proceeding (or part thereof) by the Covered Person was authorized by the Board.

Section 2 **Prepayment of Expenses.** To the extent not prohibited by applicable law, the Corporation shall pay the expenses (including attorneys' fees) incurred by a Covered Person in defending any Proceeding in advance of its final disposition; provided, however, that, to the extent required by applicable law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined that the Covered Person is not entitled to be indemnified under this ARTICLE VI or otherwise.

Section 3 **Claims.** If a claim for indemnification or advancement of expenses under this ARTICLE VI is not paid in full within 30 days after a written claim therefor by the Covered Person has been received by the Corporation, the Covered Person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the Covered Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

Section 4 **Nonexclusivity of Rights.** The rights conferred on any Covered Person by this ARTICLE VI shall not be exclusive of any other rights that such Covered Person may have or hereafter acquire under any statute, provision of these Bylaws, the Certificate of Incorporation, agreement, vote of stockholders or disinterested directors or otherwise.

Section 5 **Other Sources.** Subject to ARTICLE VI, Section 6, the Corporation's obligation, if any, to indemnify or to advance expenses to any Covered Person who was or is serving at its request as a director, officer, employee or agent of another entity or enterprise shall be reduced by any amount such Covered Person may collect as indemnification or advancement of expenses from such other entity or enterprise.

Section 6 **Indemnitor of First Resort.** In all events, (i) the Corporation hereby agrees that it is the indemnitor of first resort (i.e., its obligation to a Covered Person to provide advancement and/or indemnification to such Covered Person are primary and any obligation of any stockholder of the Corporation (including any affiliate thereof other than the Corporation) to provide advancement or indemnification hereunder or under any other indemnification agreement (whether pursuant to contract, by-laws or charter), or any obligation of any insurer of any stockholder (or any affiliate thereof, other than the Corporation) to provide insurance coverage, for the same expenses, liabilities, judgments, penalties, 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, liabilities, judgments, penalties, fines and amounts paid in settlement) incurred by such Covered Person are secondary and (ii) if any stockholder (or any affiliate thereof, other than the Corporation) pays or causes to be paid, for any reason, any amounts otherwise indemnifiable hereunder or under any other indemnification agreement (whether pursuant to contract, by-laws or charter) with such Covered Person, then (x) such stockholder (or such affiliate, as the case may be), as the case may be, shall be fully subrogated to all rights of such Covered Person with respect to such payment and (y) the Corporation shall

fully indemnify, reimburse and hold harmless such stockholder (or such other affiliate), as the case may be, for all such payments actually made by such stockholder (or such other affiliate).

Section 7 **Amendment or Repeal**. Any amendment or repeal of the foregoing provisions of this ARTICLE VI shall not adversely affect any right or protection hereunder of any Covered Person in respect of any act or omission occurring prior to the time of such amendment or repeal.

Section 8 **Other Indemnification and Prepayment of Expenses**. This ARTICLE VI shall not limit the right of the Corporation, to the extent and in the manner permitted by applicable law, to indemnify and to advance expenses to persons other than Covered Persons when and as authorized by appropriate corporate action.

ARTICLE VII

GENERAL PROVISIONS

Section 1 **Fiscal Year**. The fiscal year of the Corporation shall be established by the Board.

Section 2 **Seal**. The Corporation may have a corporate seal, which shall be in such form as may be approved from time to time by the Board. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

Section 3 **Form of Records**. Any records administered by or on behalf of the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or by means of, or be in the form of, any information storage device, method, or one or more electronic networks or databases (including one or more distributed electronic networks or databases); provided that the records so kept can be converted into clearly legible paper form within a reasonable time, and, with respect to the stock ledger, that the records so kept (i) can be used to prepare the list of stockholders specified in Sections 219 and 220 of the DGCL, (ii) record the information specified in Sections 156, 159, 217(a) and 218 of the DGCL and (iii) record transfers of stock as governed by Article 8 of the Uniform Commercial Code as enacted in the State of Delaware, 6 Del. C. §§8-101 et seq. The Corporation shall convert any records so kept into clearly legible paper form upon the request of any person entitled to inspect such records pursuant to any provision of the DGCL.

Section 4 **Conflict with Applicable Law or Certificate of Incorporation**. These By-laws are adopted subject to any applicable law and the Certificate of Incorporation. Whenever these By-laws may conflict with any applicable law or the Certificate of Incorporation, such conflict shall be resolved in favor of such law or the Certificate of Incorporation.

ARTICLE VIII

AMENDMENTS

Any alteration, amendment or repeal of these By-Laws may be made in the manner provided by the Certificate of Incorporation and applicable law.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Jay Farner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rocket Companies, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) *Omitted pursuant to SEC Release No. 34-54942;*
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: September 2, 2020

By: /s/ Jay Farner
Name: Jay Farner
Title: Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Julie Booth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rocket Companies, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) *Omitted pursuant to SEC Release No. 34-54942*;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: September 2, 2020

By: /s/ Julie Booth

Name: Julie Booth

Title: Chief Financial Officer and Treasurer

**ROCKET COMPANIES, INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jay Farner, Chief Executive Officer of Rocket Companies, Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

Date: September 2, 2020

By: /s/ Jay Farner
Name: Jay Farner
Title: Chief Executive Officer

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

**ROCKET COMPANIES, INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Julie Booth, Chief Financial Officer and Treasurer of Rocket Companies, Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

Date: September 2, 2020

By: /s/ Julie Booth

Name: Julie Booth

Title: Chief Financial Officer and Treasurer

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).