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, 2022
OR

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

For the transition period from _______ to ______
Commission file number: 001-38466

GOOSEHEAD INSURANCE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**82-3886022**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1500 Solana Blvd, Building 4, Suite 4500	
Westlake	
Texas	**76262**
(Address of principal executive offices)	(Zip Code)

(469) 480-3669
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, 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 $.01 per share	GSHD	NASDAQ

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 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 July 27, 2022, there were 20,543,160 shares of Class A common stock outstanding and 16,683,886 shares of Class B common stock outstanding.

Table of contents

		Page
Part I		
Item 1.	Condensed Consolidated Financial Statements (Unaudited)	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	35
Item 4.	Controls and Procedures	35
Part II		
Item 1.	Legal Proceedings	36
Item 1A.	Risk Factors	36
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	36
Item 3.	Defaults Upon Senior Securities	36
Item 4.	Mine Safety Disclosures	36
Item 5.	Other Information	36
Item 6.	Exhibits	37
SIGNATURES		37

Commonly used defined terms

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

- Ancillary Revenue: Revenue that is supplemental to our Core Revenue and Cost Recovery Revenue, Ancillary Revenue is unpredictable and often outside of the Company's control. Included in Ancillary Revenue are Contingent Commissions and other income.
- Agency Fees: Fees separate from commissions charged directly to clients for efforts performed in the issuance of new insurance policies.
- Annual Report on Form 10-K: The Company's annual report on Form 10-K for the year ended December 31, 2021.
- ASC 606 ("Topic 606"): ASU 2014-09 - *Revenue from Contracts with Customers.*
- ASC 842 ("Topic 842"): ASU 2016-02 - *Leases.*
- Carrier: An insurance company.
- Carrier Appointment: A contractual relationship with a Carrier.
- Client Retention: Calculated by comparing the number of all clients that had at least one policy in force twelve months prior to the date of measurement and still have at least one policy in force at the date of measurement.
- Contingent Commission: Revenue in the form of contractual payments from Carriers contingent upon several factors, including growth and profitability of the business placed with the Carrier.
- Core Revenue: The most predictable revenue stream for the Company, these revenues consist of New Business Revenue and Renewal Revenue. New Business Revenue is lower-margin, but fairly predictable. Renewal Revenue is higher-margin and very predictable.
- Cost Recovery Revenue: Revenue received by the Company associated with cost recovery efforts associated with selling and financing franchises. Included in Cost Recovery Revenue are Initial Franchise Fees and Interest Income.
- Franchise Agreement: Agreements governing our relationships with Franchisees.
- Franchisee: An individual or entity who has entered into a Franchise Agreement with us.
- GF: Goosehead Financial, LLC.
- Initial Franchise Fee: Contracted fees paid by Franchisees to compensate Goosehead for the training, onboarding and ongoing support of new franchise locations.
- LLC Unit: a limited liability company unit of Goosehead Financial, LLC.
- New Business Commission: Commissions received from Carriers relating to policies in their first term.
- New Business Revenue: New Business Commissions, Agency Fees, and New Business Royalty Fees.
- New Business Royalty Fees: Royalty Fees received from Franchisees relating to policies in their first term
- NPS: Net Promoter Score is calculated based on a single question: “How likely are you to refer Goosehead Insurance to a friend, family member or colleague?” Clients that respond with a 6 or below are Detractors, a score of 7 or 8 are called Passives, and a 9 or 10 are Promoters. NPS is calculated by subtracting the percentage of Detractors from the percentage of Promoters.
- Policies in Force: As of any reported date, the total count of current (non-cancelled) policies placed by us with our Carriers.
- Pre-IPO LLC Members: owners of LLC Units of GF prior to the Offering.
- Renewal Revenue: Renewal Commissions and Renewal Royalty Fees.
- Royalty Fees: Fees paid by Franchisees to the Company that are tied to the gross commissions paid by the Carriers related to policies sold or renewed by a franchisee.
- The Offering: The initial public offering completed by Goosehead Insurance, Inc. on May 1, 2018.

- Total Written Premium: As of any reported date, the total amount of current (non-cancelled) gross premium that is placed with Goosehead's portfolio of Carriers.

Special note regarding forward-looking statements

We have made statements in this Form 10-Q that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue,” the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include the potential impact of COVID-19 on the Company's business, projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including those factors discussed under the caption entitled “Item 1A. Risk factors” in the Annual Report on Form 10-K.

The forward-looking statements included in this Form 10-Q are made only as of the date hereof. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. We are under no duty to update any of these forward-looking statements after the date of this Form 10-Q to conform our prior statements to actual results or revised expectations.

PART I

Item 1. Condensed Consolidated Financial Statements (Unaudited)

		Page
Condensed Consolidated Statements of Operations		6
Condensed Consolidated Balance Sheets		7
Condensed Consolidated Statements of Stockholders' Equity		8
Condensed Consolidated Statements of Cash Flows		10
Notes to the Condensed Consolidated Financial Statements		11
Note 1	Organization	11
Note 2	Summary of significant accounting policies	11
Note 3	Revenues	13
Note 4	Franchise fees receivable	15
Note 5	Allowance for uncollectible agency fees	15
Note 6	Property and equipment	16
Note 7	Debt	16
Note 8	Income taxes	17
Note 9	Stockholder's equity	18
Note 10	Non-controlling interest	19
Note 11	Equity-based compensation	20
Note 12	Segment information	20
Note 13	Litigation	21

Goosehead Insurance, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Revenues:				
Commissions and agency fees	$ 26,265	$ 21,053	$ 46,274	$ 38,587
Franchise revenues	26,427	16,841	47,377	30,274
Interest income	330	279	649	540
Total revenues	53,022	38,173	94,300	69,401
Operating Expenses:				
Employee compensation and benefits	31,659	22,475	63,143	43,784
General and administrative expenses	12,378	10,134	25,902	19,408
Bad debts	1,660	646	2,456	1,093
Depreciation and amortization	1,658	1,132	3,234	2,132
Total operating expenses	47,355	34,387	94,735	66,417
Income (loss) from operations	5,667	3,786	(435)	2,984
Other Income (Expense):				
Other income	—	119	—	139
Interest expense	(1,114)	(546)	(1,997)	(1,147)
Income (loss) before taxes	4,553	3,359	(2,432)	1,976
Tax expense (benefit)	2,164	223	562	(71)
Net income (loss)	2,389	3,136	(2,994)	2,047
Less: net income (loss) attributable to non-controlling interests	2,047	1,649	(1,050)	956
Net income (loss) attributable to Goosehead Insurance, Inc.	$ 342	$ 1,487	$ (1,944)	$ 1,091
Earnings per share:				
Basic	$ 0.02	$ 0.08	$ (0.10)	$ 0.06
Diluted	$ 0.02	$ 0.07	$ (0.10)	$ 0.05
Weighted average shares of Class A common stock outstanding				
Basic	20,454	18,774	20,348	18,574
Diluted	21,245	20,367	20,348	20,251

See Notes to the Condensed Consolidated Financial Statements

Goosehead Insurance, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(In thousands, except per share amounts)

	June 30, 2022	December 31, 2021
Assets		
Current Assets:		
Cash and cash equivalents	$ 31,121	$ 28,526
Restricted cash	2,427	1,953
Commissions and agency fees receivable, net	9,161	12,056
Receivable from franchisees, net	1,206	493
Prepaid expenses	7,195	4,785
Total current assets	51,110	47,813
Receivable from franchisees, net of current portion	30,689	29,180
Property and equipment, net of accumulated depreciation	27,571	24,933
Right-of-use asset	41,418	32,656
Intangible assets, net of accumulated amortization	3,749	2,798
Deferred income taxes, net	131,164	125,676
Other assets	5,585	4,742
Total assets	$ 291,286	$ 267,798
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 5,753	$ 10,502
Premiums payable	2,427	1,953
Lease liability	6,026	4,893
Contract liabilities	6,363	6,054
Note payable	5,625	4,375
Total current liabilities	26,194	27,777
Lease liability, net of current portion	57,169	47,335
Note payable, net of current portion	115,349	118,361
Contract liabilities, net of current portion	46,009	42,554
Liabilities under tax receivable agreement	105,312	100,959
Total liabilities	350,033	336,986
Class A common stock, $0.01 par value per share - 300,000 shares authorized, 20,534 shares issued and outstanding as of June 30, 2022, 20,198 shares issued and outstanding as of December 31, 2021	203	200
Class B common stock, $0.01 par value per share - 50,000 shares authorized, 16,693 issued and outstanding as of June 30, 2022, 16,909 shares issued and outstanding as of December 31, 2021	168	170
Additional paid in capital	58,942	46,281
Accumulated deficit	(63,290)	(60,671)
Total stockholders' equity	(3,977)	(14,020)
Non-controlling interests	(54,770)	(55,168)
Total equity	(58,747)	(69,188)
Total liabilities and equity	$ 291,286	$ 267,798

See Notes to the Condensed Consolidated Financial Statements

Goosehead Insurance, Inc.
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

(In thousands)

	Issued shares of Class A common stock	Issued shares of Class B common stock	Class A Common stock	Class B Common Stock	Additional paid in capital	Accumulated deficit	Total stockholders' equity	Non-controlling interest	Total equity
Balance, January 1, 2022	20,198	16,909	$ 200	$ 170	$ 46,281	$ (60,671)	$ (14,020)	$ (55,168)	$(69,188)
Net loss	—	—	—	—	—	(2,257)	(2,257)	(3,126)	(5,383)
Exercise of stock options	19	—	—	—	256	—	256	—	256
Equity-based compensation	—	—	—	—	5,788	—	5,788	—	5,788
Activity under employee stock purchase plan	3	—	—	—	214	—	214	—	214
Redemption of LLC Units	101	(101)	1	(1)	(344)	—	(344)	344	—
Deferred tax adjustments related to Tax Receivable Agreement	—	—	—	—	394	—	394	22	416
Reallocation of Non-controlling interest	—	—	—	—	—	(478)	(478)	478	—
Balance March 31, 2022	20,321	16,808	$ 201	$ 169	$ 52,589	$ (63,406)	$ (10,447)	$ (57,450)	$(67,897)
Net income	—	—	—	—	—	342	342	2,047	2,389
Exercise of stock options	94	—	1	—	1,007	—	1,008	—	1,008
Equity-based compensation	—	—	—	—	5,173	—	5,173	—	5,173
Activity under employee stock purchase plan	4	—	—	—	177	—	177	—	177
Redemption of LLC Units	115	(115)	1	(1)	(377)	—	(377)	377	—
Deferred tax adjustments related to Tax Receivable Agreement	—	—	—	—	373	—	373	30	403
Reallocation of Non-controlling interest	—	—	—	—	—	(226)	(226)	226	—
Balance June 30, 2022	20,534	16,693	$ 203	$ 168	$ 58,942	$ (63,290)	$ (3,977)	$ (54,770)	$(58,747)

	Issued shares of Class A common stock	Issued shares of Class B common stock	Class A Common stock	Class B Common Stock	Additional paid in capital	Accumulated deficit	Total stockholders' equity	Non-controlling interest	Total equity
Balance, January 1, 2021	18,304	18,447	$ 183	$ 184	$ 29,371	$ (34,614)	$ (4,876)	$ (33,528)	$ (38,404)
Distributions	—	—	—	—	—	—	—		—
Net loss	—	—	—	—	—	(396)	(396)	(693)	(1,089)
Exercise of stock options	9		—		226		226		226
Equity-based compensation	—	—	—	—	1,941	—	1,941	—	1,941
Activity under employee stock purchase plan	2	—	—	—	205	—	205	—	205
Redemption of LLC Units	133	(133)	1	(1)	(249)	—	(249)	249	—
Deferred tax adjustments related to Tax Receivable Agreement	—	—	—	—	798	—	798	18	816
Reallocation of Non-controlling interest	—	—	—	—	—	2	2	(2)	—
Balance March 31, 2021	18,448	18,314	$ 184	$ 183	$ 32,292	$ (35,008)	$ (2,349)	$ (33,956)	$ (36,305)
Net income	—	—	—	—	—	1,487	1,487	1,649	3,136
Exercise of stock options	31	—	—	—	439	—	439	—	439
Equity-based compensation	—	—	—	—	1,851	—	1,851	—	1,851
Activity under employee stock purchase plan	2	—	—	—	214	—	214	—	214
Redemption of LLC Units	728	(728)	7	(7)	(1,280)	—	(1,280)	1,280	—
Deferred tax adjustments related to Tax Receivable Agreement	—	—	—	—	3,063	—	3,063	101	3,164
Reallocation of Non-controlling interest	—	—	—	—	—	(6)	(6)	6	—
Balance June 31, 2021	19,209	17,586	$ 191	$ 176	$ 36,579	$ (33,527)	$ 3,419	$ (30,920)	$ (27,501)

See Notes to the Condensed Consolidated Financial Statements

Goosehead Insurance, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2022	2021
Cash flows from operating activities:		
Net income (loss)	$ (2,994)	$ 2,047
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	3,347	2,264
Bad debt expense	2,456	1,093
Equity-based compensation	10,961	3,793
Impacts of Tax Receivable Agreement	4,353	20,628
Deferred income taxes	(4,670)	(20,772)
Noncash lease activity	2,205	5,080
Changes in operating assets and liabilities:		
Receivable from franchisees	(3,584)	(6,112)
Commissions and agency fees receivable	1,780	11,745
Prepaid expenses	(2,410)	(3,689)
Other assets	(839)	(1,303)
Accounts payable and accrued expenses	(4,751)	(1,649)
Contract liabilities	3,764	7,188
Premiums payable	474	228
Payments pursuant to the tax receivable agreement	—	(549)
Net cash provided by operating activities	10,092	19,992
Cash flows from investing activities:		
Proceeds from notes receivable	21	17
Purchase of software	(1,292)	(1,369)
Purchase of property and equipment	(5,531)	(7,934)
Net cash used for investing activities	(6,802)	(9,286)
Cash flows from financing activities:		
Repayment of note payable	(1,875)	(1,500)
Proceeds from the issuance of Class A common stock	1,654	1,084
Net cash used for financing activities	(221)	(416)
Net increase in cash and restricted cash	3,069	10,290
Cash and cash equivalents, and restricted cash, beginning of period	30,479	26,236
Cash and cash equivalents, and restricted cash, end of period	$ 33,548	$ 36,526
Supplemental disclosures of cash flow data:		
Cash paid during the period for interest	2,143	1,015
Cash paid for income taxes	398	262

See Notes to the Condensed Consolidated Financial Statements

1. Organization

Goosehead Insurance, Inc. (“GSHD”) is the sole managing member of Goosehead Financial, LLC (“GF”) and has the sole voting power and control of management of GF. Accordingly, GSHD consolidates the financial results of GF and reports non-controlling interest in GSHD’s condensed consolidated financial statements.

GF was organized on January 1, 2016 as a Delaware Limited Liability Company and is headquartered in Westlake, TX.

GSHD (collectively with its consolidated subsidiaries, the “Company”) provides personal and commercial property and casualty insurance brokerage services for its clients through a network of corporate-owned agencies and franchise units across the nation.

The Company had 15 and 11 corporate-owned locations in operation at June 30, 2022 and 2021, respectively. Franchisees are provided access to insurance Carrier Appointments, product training, technology infrastructure, client service centers and back office services. During the three months ended June 30, 2022 and 2021, the Company onboarded 141 and 108 franchise locations, respectively, and had 1,344 and 1,072 operating franchise locations as of June 30, 2022 and 2021, respectively. No franchises were purchased by the Company during the three and six months ended June 30, 2022 or 2021.

All intercompany accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q. Therefore, they do not include all of the annual disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). However, in the opinion of management, these statements include all adjustments, consisting of normal recurring adjustments, which are necessary for a fair presentation of the condensed consolidated financial positions at June 30, 2022 and December 31, 2021, the condensed consolidated results of operations, stockholders' equity and statements of cash flows for the three and six months ended June 30, 2022 and 2021. The interim period condensed consolidated financial statements should be read in conjunction with the *Consolidated Financial Statements* that are included in the Annual Report on Form 10-K.

In accordance with Accounting Standards Codification 280 "Segment Reporting", and in the first quarter of 2022, the Company began reporting one operating segment due to changes in how the Company's chief operating decision maker assesses the Company's performance and allocates resources. See Note 12 "Segment Reporting".

The results of operations for the three and six months ended June 30, 2022 are not necessarily indicative of the results that can be expected for the entire year. The Company experiences seasonal fluctuations of its revenue due to the timing of contingent commission revenue recognition and trends in housing market activity.

Impact of the Coronavirus (“COVID-19”) Pandemic

To date, the pandemic has not increased our costs of or access to capital under our term note and revolving credit facility, and we do not believe it is reasonably likely to do so in the future. In addition, we do not believe that the pandemic will affect our ongoing ability to meet the covenants in our debt instruments, including under our term note and revolving credit facility. To date, the pandemic has not impacted the collectability of receivables or adversely affected our ability to generate new business, add new franchises, or retain existing franchises or policies. While contingent commissions initially benefited from lower loss ratios in the early part of the pandemic, we now anticipate lower contingent commissions as customers return to pre-pandemic driving patterns and loss ratios increase. The pandemic has also contributed to inflationary pressures and supply chain disruptions, and these challenges could persist if governments continue to impose lockdowns, quarantine requirements and other restrictions in order to control rates of COVID-19 infections. For example, increased inflation may result in increased labor costs and increased losses for our carriers, which in turn could negatively impact Contingent Commissions the Company receives in the near term. Due to the nature of our business, the effect of the COVID-19 pandemic may not be fully reflected in our results of operations until future periods.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates as more information becomes known.

Income Taxes

The Company accounts for income taxes pursuant to the asset and liability method which requires the recognition of deferred income tax assets and liabilities related to the expected future tax consequences arising from temporary differences between the carrying amounts and tax bases of assets and liabilities based on enacted statutory tax rates applicable to the periods in which the temporary differences are expected to reverse. Any effects of changes in income tax rates or laws are included in income tax expense in the period of enactment.

Restricted Cash

The Company holds premiums received from the insured, but not yet remitted to the insurance Carrier in a fiduciary capacity. Premiums received but not yet remitted included in restricted cash were $2.4 million and $1.6 million as of June 30, 2022 and 2021, respectively.

The following is a reconciliation of our cash and restricted cash balances as presented in the condensed consolidated statements of cash flows for the six months ended June 30, 2022 and 2021 *(in thousands)*:

	June 30,	
	2022	**2021**
Cash and cash equivalents	$ 31,121	$ 34,975
Restricted cash	2,427	1,551
Cash and cash equivalents, and restricted cash	$ 33,548	$ 36,526

Recently adopted accounting pronouncements

Simplifying the Accounting for Income Taxes (ASU 2019-12): In 2019, the Financial Accounting Standards Board issued ASU 2019-12 to simplify the accounting for income taxes. The guidance primarily addresses how to (1) recognize a deferred tax liability after we transition to or from the equity method of accounting, (2) evaluate if a step-up in the tax basis of goodwill is related to a business combination or is a separate transaction, (3) recognize all of the effects of a change in tax law in the period of enactment, including adjusting the estimated annual tax rate, and (4) include the amount of tax based on income in the income tax provision and any incremental amount as a tax not based on income for hybrid tax regimes. We adopted the guidance in the first quarter of 2021. The adoption did not have a material impact on our condensed consolidated financial statements or related disclosures.

Reference Rate Reform (ASU 2020-04): In March 2020, the Financial Accounting Standards Board issued ASU 2020-04. Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional expedients and exceptions for applying U.S. GAAP if certain criteria are met to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued. ASU 2020-04 is effective from March 12, 2020 through December 31, 2022. A substantial portion of our indebtedness bears interest at variable interest rates, primarily based on USD-LIBOR. The adoption of ASU 2020-04 did not have a material impact on our condensed consolidated financial statements. The standard will ease, if warranted, the administrative requirements for accounting for the future effects of the rate reform. Our debt agreement contains a provision to move to the Secured Overnight Financing Rate ("SOFR") if or when LIBOR is phased out.

3. Revenue

Commissions and fees

The Company earns new and renewal commissions paid by insurance Carriers and fees paid by its clients for the binding of insurance coverage. The transactions price is set as the estimated commissions to be received over the term of the policy based on an estimate of premiums placed, policy changes and cancellations, net of a constraint. These commissions and fees are earned at a point in time upon the effective date of bound insurance coverage, as no performance obligation exists after coverage is bound.

For Agency Fees, the Company enters into a contract with the insured, in which the Company's performance obligation is to place an insurance policy. The transaction price of the agency fee is set at the time the sale is agreed upon, and is included in the contract. Agency Fee revenue is recognized at a point in time, which is the effective date of the policy.

Contingent commission revenue is generated from contracts between the Company and insurance carriers, for which the Company is compensated for certain growth, profitability, or other performance-based metrics. The performance obligations for contingent commissions will vary by contract, but generally include the Company increasing profitable written premium with the insurance carrier. The transaction price for contingent commissions is estimated based on all available information and is recognized over time as the Company completes its performance obligations, as the underlying policies are placed, net of a constraint.

Franchise revenues

Franchise revenues include initial franchise fees and ongoing new and renewal royalty fees from franchisees.

Revenue from initial franchise fees is generated from a contract between the Company and a franchisee. The Company's performance obligation is to provide initial training, onboarding, ongoing support and use of the Company's business operations over the period of the franchise agreement. The transaction price is set by the franchise agreement and revenue is recognized over time as the Company completes its performance obligations.
Revenue from new and renewal royalty fees is recorded by applying the sales- and usage-based royalties exception. Under the sales- and usage-based exception, the Company estimates the anticipated amount of the royalties to be received over the term of the policy based on an estimate of premiums placed by the franchisee, policy changes, and cancellations, net of a constraint. Revenue from royalty fees is recognized over time as the placement of the underlying policies occur.

Contract costs

The Company has evaluated ASC Topic 340 - Other Assets and Deferred Cost (“ASC 340”) which requires companies to defer certain incremental cost to obtain customer contracts, and certain costs to fulfill customer contracts.

Incremental cost to obtain - The adoption of ASC 340 resulted in the Company deferring certain costs to obtain customer contracts primarily as they relate to commission-based compensation plans for the franchise sales team, in which the Company pays an incremental amount of compensation on new Franchise Agreements. These incremental costs are deferred and amortized over a 10-year period, which is consistent with the term of the contract.

Costs to fulfill - The Company has evaluated the need to capitalize costs to fulfill customer contracts and has determined that there are no costs that meet the definition for capitalization under ASC 340.

Disaggregation of Revenue

The following table disaggregates revenue by source *(in thousands)*:

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Type of revenue stream:				
Commissions and agency fees				
Renewal Commissions	$ 14,541	$ 10,310	$ 24,748	$ 18,067
New Business Commissions	6,730	5,944	12,097	10,560
Agency Fees	3,114	3,105	5,751	5,529
Contingent Commissions	1,880	1,694	3,678	4,431
Franchise revenues				
Renewal Royalty Fees	18,870	11,670	32,872	20,416
New Business Royalty Fees	4,821	3,680	9,113	6,837
Initial Franchise Fees	2,591	1,458	4,887	2,890
Other Franchise Revenues	145	33	505	131
Interest Income	330	279	649	540
Total Revenues	$ 53,022	$ 38,173	$ 94,300	$ 69,401
Timing of revenue recognition:				
Transferred at a point in time	$ 24,385	$ 19,359	$ 42,596	$ 34,156
Transferred over time	28,637	18,814	51,704	35,245
Total Revenues	$ 53,022	$ 38,173	$ 94,300	$ 69,401

Contract Balances

The following table provides information about receivables, cost to obtain, and contract liabilities from contracts with customers *(in thousands)*:

	June 30, 2022	December 31, 2021	Increase/(decrease)
Cost to obtain franchise contracts(1)	$ 2,627	$ 1,973	$ 654
Commissions and agency fees receivable, net(2)	9,161	12,056	(2,895)
Receivable from franchisees(2)	31,895	29,673	2,222
Contract liabilities(2)(3)	52,372	48,608	3,764

(1) Cost to obtain franchise contracts is included in Other assets on the condensed consolidated balance sheets.
(2) Includes both the current and long term portion of this balance.
(3) Initial Franchise Fees to be recognized over the life of the contract.

The Company records Franchise Fees as contract liabilities on the Condensed Consolidated Balance Sheets when the agreement is executed. Contract liabilities are reduced as fees are recognized in revenue over the expected life of the franchise license. As the term of the franchise license is typically ten years, substantially all of the franchise fee revenue recognized in the period ended June 30, 2022 was included in the contract liabilities balance as of December 31, 2021.

The weighted average remaining amortization period for contract liabilities related to open franchises is 8.1 years.

Significant changes in contract liabilities are as follows *(in thousands)*:

Contract liabilities at December 31, 2021	$	48,608
Revenue recognized during the period		(4,887)
New deferrals[(1)]		8,651
Contract liabilities at June 30, 2022	$	52,372

(1) Initial Franchise Fees where the consideration is received from the franchisee for services which are to be transferred to the Franchisee over the expected life of the Franchise Agreement

4. Franchise Fees Receivable

The balance of Franchise fees receivable included in Receivable from franchisees consisted of the following *(in thousands)*:

	June 30, 2022		December 31, 2021	
Franchise fees receivable[(1)]	$	43,133	$	40,171
Less: Unamortized discount[(1)]		(10,824)		(9,518)
Less: Allowance for uncollectible franchise fees[(1)]		(427)		(303)
Net franchise fees receivable[(1)]	$	31,882	$	30,350

(1) Includes both the current and long term portion of this balance

Activity in the allowance for uncollectible franchise fees was as follows *(in thousands)*:

Balance at December 31, 2021	$	303
Charges to bad debts		1,341
Write offs		(1,217)
Balance at June 30, 2022	$	427
Balance at December 31, 2020	$	149
Charges to bad debts		296
Write offs		(305)
Balance at June 30, 2021	$	140

5. Allowance for Uncollectible Agency Fees

Activity in the allowance for uncollectible Agency Fees was as follows *(in thousands)*:

Balance at December 31, 2021	$	489
Charges to bad debts		1,115
Write offs		(1,052)
Balance at June 30, 2022	$	552
Balance at December 31, 2020	$	468
Charges to bad debts		797
Write offs		(708)
Balance at June 30, 2021	$	557

6. Property and equipment

Property and equipment consisted of the following *(in thousands)*:

	June 30, 2022	December 31, 2021
Furniture & fixtures	$ 7,743	$ 7,283
Computer equipment	3,967	3,369
Network equipment	320	514
Phone system	326	937
Leasehold improvements	27,241	25,115
Total	39,597	37,218
Less accumulated depreciation	(12,026)	(12,285)
Property and equipment, net	$ 27,571	$ 24,933

Depreciation expense was $2.9 million and $2.1 million for six months ended June 30, 2022 and 2021, respectively.

7. Debt

On July 21, 2021, the Company refinanced its $25.0 million revolving credit facility and $80.0 million term note payable to a $50.0 million revolving credit facility and $100.0 million term note payable to finance general corporate purposes and the special dividend. The Company also has the right, subject to approval by the administrative agent and each issuing bank, to increase the commitments under the credit facilities by an additional $25.0 million.

The $50.0 million revolving credit facility accrues interest on amounts drawn at an initial interest rate of LIBOR plus 2.50%, then at an interest rate determined by the Company's leverage ratio for the preceding period. At June 30, 2022 the Company was accruing interest at LIBOR plus 250 basis points. At June 30, 2022, the Company had $25.0 million drawn against the revolving credit facility and had a letter of credit of $0.2 million applied against the maximum borrowing availability, payable on July 21, 2026. Thus, amounts available to draw totaled $24.8 million. The revolving credit facility is collateralized by substantially all the Company’s assets, which includes rights to future commissions and royalties.

The term note is payable in quarterly installments of $0.6 million the first twelve months, $1.3 million the next twelve months, $1.9 million the next twelve months, and $2.5 million the last twenty-four months, with a balloon payment on July 21, 2026. The note is collateralized by substantially all of the Company’s assets, which includes rights to future commissions and royalties. Interest is calculated initially at LIBOR plus 2.50%, then at an interest rate based on the Company's leverage ratio for the preceding period. At June 30, 2022 the Company was accruing interest at LIBOR plus 250 basis points.

The interest rate for each leverage ratio tier is as follows:

Leverage Ratio	Interest Rate
< 1.50x	LIBOR + 175 bps
> 1.50x	LIBOR + 200 bps
> 2.50x	LIBOR + 225 bps
> 3.50x	LIBOR + 250 bps

Maturities of the term note payable for the next five years are as follows (*in thousands*):

	Amount
2022	2,500
2023	6,875
2024	9,375
2025	10,000
2026	68,125
Total	$ 96,875

The Company's note payable agreement contains certain restrictions and covenants. Under these restrictions, the Company is limited in the amount of debt incurred and distributions payable. As of June 30, 2022, the Company's maximum allowable trailing twelve months debt-to-EBITDA ratio, as defined by the credit agreement, was 4.5x. In addition, the credit agreement contains certain change of control provisions that, if broken, would trigger a default. Finally, the Company must maintain certain financial ratios. As of June 30, 2022, the Company was in compliance with these covenants.

Because of both instruments' variable interest rate, the note payable balance at June 30, 2022 and December 31, 2021, approximates fair value using Level 2 inputs, described below.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets.
- Level 2—Significant other observable inputs other than Level 1 prices such as quoted prices in markets that are not active, quoted prices for similar assets or other inputs that are observable, either directly or indirectly, for substantially the full term of the asset.
- Level 3—Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

8. Income Taxes

GSHD is the sole managing member of GF, which is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, GF is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by GF is passed through to and included in the taxable income or loss of its members, including GSHD, on a pro rata basis. GSHD is subject to U.S. federal income taxes, in addition to state and local income taxes, with respect to GSHD's allocable share of income of GF.

Income tax expense (benefit)

Provision for/(benefit from) income taxes for the three and six months ended June 30, 2022 was $2.2 million and $0.6 million compared to $0.2 million and $(0.1) million for the three and six months ended June 30, 2021, respectively. The effective tax rate was 48% and (23)% for the three and six months ended June 30, 2022 and 7% and (4)% for the three and six months ended June 30, 2021. The increase in the effective tax rate for the three and six months ended June 30, 2022 compared to the three and six months ended June 30, 2021 was primarily due to a decrease in exercises of employee stock options.

Deferred taxes

Deferred tax assets at June 30, 2022 were $131.2 million compared to $125.7 million at December 31, 2021. The primary contributing factor to the increase in deferred tax assets is additional redemptions of LLC Units of GF for shares of Class A common stock of GSHD during the six months ended June 30, 2022.

Tax Receivable Agreement

GF intends to make an election under Section 754 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the “Code”) effective for each taxable year in which a redemption or exchange of LLC Units and corresponding Class B common stock for shares of Class A common stock occurs. Future taxable redemptions or exchanges are expected to result in tax basis adjustments to the assets of GF that will be allocated to the Company and thus produce favorable tax attributes. These tax attributes would not be available to GSHD in the absence of those transactions. The anticipated tax basis adjustments are expected to reduce the amount of tax that GSHD would otherwise be required to pay in the future.

GSHD entered into a tax receivable agreement with the Pre-IPO LLC Members on May 1, 2018 that provides for the payment by GSHD to the Pre-IPO LLC Members of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that GSHD actually realizes as a result of (i) any increase in tax basis in GSHD's assets and (ii) tax benefits related to imputed interest deemed arising as a result of payments made under the tax receivable agreement.

During the three and six months ended June 30, 2022, an aggregate of 114,767 and 215,457 LLC Units were redeemed by the Pre-IPO LLC Members for newly issued shares of Class A common stock. In connection with these redemptions, GSHD received 114,767 and 215,457 LLC Units, which resulted in an increase in the tax basis of its investment in GF subject to the provisions of the tax receivable agreement. The Company recognized a liability for the TRA Payments due to the Pre-IPO LLC Members, representing 85% of the aggregate tax benefits the Company expects to realize from the tax basis increases related to the redemptions of LLC Units, after concluding it was probable that such TRA Payments would be paid based on its estimates of future taxable income. As of June 30, 2022, the total amount of TRA Payments due to the Pre-IPO LLC Members under the tax receivable agreement was $105.3 million, of which $0.0 million was current and included in Accounts payables and accrued expenses on the Condensed Consolidated Balance Sheet. Future exchanges of LLC Units for Class A common stock will result in additional TRA payments.

Uncertain tax positions

GSHD has determined there are no material uncertain tax positions as of June 30, 2022.

9. Stockholders' Equity

Class A Common Stock

GSHD has a total of 20,534 shares of its Class A common stock outstanding at June 30, 2022. Each share of Class A common stock holds economic rights and entitles its holder to one vote per share on all matters submitted to a vote of the stockholders of GSHD.

Class B Common Stock

GSHD has a total of 16,693 shares of its Class B common stock outstanding at June 30, 2022. Each share of Class B common stock has no economic rights but entitles its holder to one vote per share on all matters submitted to a vote of the stockholders of GSHD.

Holders of Class A common stock and Class B common stock vote together as a single class on all matters presented to GSHD's shareholders for their vote or approval, except as otherwise required by applicable law, by agreement, or by GSHD's certificate of incorporation.

Earnings Per Share

The following table sets forth the calculation of basic earnings per share ("EPS") based on net income attributable to GSHD for the three and six months ended June 30, 2022 and 2021, divided by the basic weighted average number of Class A common stock as of June 30, 2022 and 2021 *(in thousands, except per share amounts)*. Diluted earnings per share of Class A common stock is computed by dividing net income attributable to GSHD by the weighted average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive securities. The Company has not included the effects of conversion of Class B shares to Class A shares in the diluted EPS calculation using the "if-converted" method, because doing so has no impact on diluted EPS.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator:				
Income (loss) before taxes	$ 4,553	$ 3,359	$ (2,432)	$ 1,976
Less: income (loss) before taxes attributable to non-controlling interests	2,047	1,649	(1,050)	956
Income (loss) before taxes attributable to GSHD	2,506	1,710	(1,382)	1,020
Less: income tax expense (benefit) attributable to GSHD	2,164	223	562	(71)
Net income (loss) attributable to GSHD	$ 342	$ 1,487	$ (1,944)	$ 1,091
Denominator:				
Weighted average shares of Class A common stock outstanding - basic	20,454	18,774	20,348	18,574
Effect of dilutive securities:				
Stock options(1)	791	1,593	—	1,677
Weighted average shares of Class A common stock outstanding - diluted	21,245	20,367	20,348	20,251
Earnings per share of Class A common stock - basic	$ 0.02	$ 0.08	$ (0.10)	$ 0.06
Earnings per share of Class A common stock - diluted	$ 0.02	$ 0.07	$ (0.10)	$ 0.05

(1) 2,388 and 3,179 stock options were excluded from the computation of diluted earnings per share of Class A common stock for the three and six months ended June 30, 2022, respectively, because the effect would have been anti-dilutive. 109 and 78 stock options were excluded from the computation of diluted earnings per share of Class A common stock for the three and six months ended June 30, 2021, respectively, because the effect would have been anti-dilutive.

10. Non-controlling interest

GSHD is the sole managing member of GF and, as a result, it consolidates the financial results of GF. GSHD reports a non-controlling interest representing the economic interest in GF held by the other members of GF.

Under the amended and restated Goosehead Financial, LLC Agreement, the Pre-IPO LLC Members have the right, from and after the completion of the Offering (subject to the terms of the amended and restated Goosehead Financial, LLC Agreement), to require GSHD to redeem all or a portion of their LLC Units for, at GSHD's election, newly-issued shares of Class A common stock on a one-for-one basis or a cash payment equal to the volume weighted average market price of one share of GSHD's Class A common stock for each LLC Unit redeemed (subject to customary adjustments, including for stock splits, stock dividends and reclassifications) in accordance with the terms of the amended and restated Goosehead Financial, LLC Agreement. Additionally, in the event of a redemption request by a Pre-IPO LLC Member, GSHD may, at its option, effect a direct exchange of cash or Class A common stock for LLC Units in lieu of such a redemption. Shares of Class B common stock will be cancelled on a one-for-one basis if GSHD, at the election of a Pre-IPO LLC Member, redeems or exchanges LLC Units of such Pre-IPO LLC Member pursuant to the terms of the amended and restated Goosehead Financial, LLC Agreement. Except for transfers to GSHD pursuant to the amended and restated Goosehead Financial, LLC Agreement or to certain permitted transferees, the Pre-IPO LLC Members are not permitted to sell, transfer or otherwise dispose of any LLC Units or shares of Class B common stock.

During the three and six months ended June 30, 2022, an aggregate of 115 thousand and 215 thousand LLC Units were redeemed by the non-controlling interest holders. Pursuant to the GF LLC Agreement, GSHD issued 115 thousand and 215 thousand shares of Class A common stock in connection with these redemptions and received 115 thousand and 215 thousand LLC Interests, increasing GSHD's ownership interest in GF. Simultaneously, and in connection with these redemptions, and 115 thousand and 215 thousand shares of Class B common stock were surrendered and cancelled.

The following table summarizes the ownership interest in GF as of June 30, 2022 *(in thousands)*:

	June 30, 2022	
	LLC Units	**Ownership %**
Number of LLC Units held by GSHD	20,534	55.2%
Number of LLC Units held by non-controlling interest holders	16,693	44.8%
Number of LLC Units outstanding	37,227	100.0%

The weighted average ownership percentages for the applicable reporting periods are used to attribute net income to GSHD and the non-controlling interest holders. The non-controlling interest holders' weighted average ownership percentage for the three and six months ended June 30, 2022 was 45.2%.

The following table summarizes the effects of changes in ownership in GF on the equity of GSHD for the three and six months ended June 30, 2022 and 2021 as follows *(in thousands)*:

	Three months ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Net income attributable to Goosehead Insurance Inc.	$ 342	$ 1,487	$ (1,944)	$ 1,091
Transfers (to) from non-controlling interests:				
Decrease in additional paid-in capital as a result of the redemption of LLC interests	(377)	(1,280)	(721)	(1,529)
Increase in additional paid-in capital as a result of activity under employee stock purchase plan	177	214	391	418
Total effect of changes in ownership interest on equity attributable to Goosehead Insurance Inc.	**$ 142**	**$ 421**	**$ (2,274)**	**$ (20)**

11. Equity-Based Compensation

Stock option expense was $5.2 million and $11.0 million for the three and six months ended June 30, 2022. Stock option expense was $1.9 million and $3.8 million for the three and six months ended June 30, 2021.

12. Segment Information

The Company’s Chief Operating Decision Maker, its Chief Executive Officer (“CEO”), reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Management views the Company’s operations and manages its business as one operating segment. Accordingly, the Company determined that it operates in a single reportable segment. All of the Company’s long-lived assets are located in the United States. As a result, beginning with the first quarter of 2022, GSHD has modified the presentation of its segment financial information with retrospective application to all prior periods presented. Since the Company operates in one operating segment, all required financial segment information can be found in the condensed consolidated financial statements.

13. Litigation

From time to time, GSHD may be involved in various legal proceedings, lawsuits and claims incidental to the conduct of the Company's business. The amount of any loss from the ultimate outcomes is not probable or reasonably estimable. It is the opinion of management that the resolution of outstanding claims will not have a material adverse effect on the financial position or results of operations of the Company.

Item 2: Management’s discussion and analysis of financial condition and results of operations

OVERVIEW

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Form 10-Q. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under “Risk factors” and elsewhere in this report and in the Annual Report on Form 10-K.

We are a rapidly growing personal lines independent insurance agency, reinventing the traditional approach to distributing personal lines products and services throughout the United States. We were founded with one vision in mind—to provide consumers with superior insurance coverage at the best available price and in a timely manner. By leveraging our differentiated business model and innovative technology platform, we are able to deliver to consumers a superior insurance experience. Our management team continues to own approximately 48% of the company, representing our commitment to the long-term success of the Company.

Financial Highlights for the Second Quarter of 2022:

- Total revenue increased 39% from the second quarter of 2021 to $53.0 million
- Core Revenue* increased by 39% from second quarter of 2021 to $48.1 million
- Total Written Premiums placed increased 42% from the prior-year period to $566.0 million
- Net income decreased by $0.7 million from the second quarter of 2021 to $2.4 million, or 5% of total revenues
- Adjusted EBITDA* increased 85% from the second quarter of 2021 to $12.5 million, or 24% of total revenues
- Basic and diluted earnings per share were $0.02 and $0.02, respectively, and Adjusted EPS* was $0.16 per share for the three months ended June 30, 2022
- Policies in Force increased 35% from June 30, 2021 to 1,181,000 at June 30, 2022
- Corporate sales headcount increased 11% from June 30, 2021 to 503 at June 30, 2022
    - As of June 30, 2022, 312 of these Corporate sales agents had less than one year of tenure and 191 had greater than one year of tenure
- Total franchises increased 30% compared to the prior-year period to 2,341; total operating franchises increased 25% from June 30, 2021 to 1,344 at June 30, 2022
    - In Texas as of June 30, 2022, 67 operating Franchisees had less than one year of tenure and 231 operating Franchisees had greater than one year of tenure.
    - Outside of Texas as of June 30, 2022, 354 operating Franchisees had less than one year of tenure and 692 had greater than one year of tenure.

*Core Revenue, Adjusted EBITDA and Adjusted EPS are non-GAAP measures. Reconciliation of Core Revenue to total revenue, Adjusted EBITDA to net income and Adjusted EPS to EPS, the most directly comparable financial measures presented in accordance with GAAP, are set forth under "Key performance indicators".

COVID-19

For over two years, the COVID-19 pandemic has impacted businesses in the U.S. and globally. Our business has remained resilient throughout the pandemic and demand for our services remains strong. However, uncertainty remains regarding the economic outlook and the ultimate duration, spread and severity of COVID-19, and its variant strains, the availability, effectiveness and utilization of vaccines, and the adverse effects on the national and global economy, home sales and consumer spending. As a result, the related financial impact on our business cannot be accurately predicted at this time. We continue to monitor the rapidly evolving situation and guidance from the authorities, including federal, state and local public health officials and as a result may take additional actions. While we intend to continue to execute on our strategic plans and operational initiatives during the outbreak, in these circumstances, there may be developments outside our control requiring us to adjust our operating plan. The pandemic has also contributed to inflationary pressures and supply chain disruptions, and these challenges could persist if governments continue to impose lockdowns, quarantine requirements and other restrictions in order to control rates of COVID-19 infections. For example, increased inflation may result in decreased demand for our services, increases in our operating costs (including our compensation costs), reduced liquidity, and limits on our ability to access credit or otherwise raise capital. See Item 1A. Risk factors - Risk relating to our business—The ongoing global COVID-19 pandemic has negatively impacted the global economy in a significant manner and may continue to do so for an extended period of time, and could also materially adversely affect our business and operating results in the Annual Report on Form 10-K for more information.

Certain income statement line items

Revenues

For the three months ended June 30, 2022, revenue increased by 39% to $53.0 million from $38.2 million for the three months ended June 30, 2021. For the six months ended June 30, 2022, revenue increased by 36% to $94.3 million from $69.4 million for the six months ended June 30, 2021. Total Written Premium growth, which is the best leading indicator of future revenue growth, was 42% for the three months ended June 30, 2022. Total Written Premium increased to $566 million for the three months ended June 30, 2022 from $399 million for the three months ended June 30, 2021. Total written premium increased by 42% to $1.017 billion for the six months ended June 30, 2022 from $718 million for the six months ended June 30, 2021. Total Written Premiums drive our current and future Core Revenue and gives us potential opportunities to earn Ancillary Revenue in the form of Contingent Commissions.

Our various revenue streams do not equally contribute to the long-term value of Goosehead. For instance, Renewal Revenue and Renewal Royalty Fees are more predictable and have higher margin profiles, thus are higher quality revenue streams for the Company. Alternatively, Contingent Commissions, while high margin, are unpredictable and dependent on insurance company underwriting and forces of nature and thus are lower quality revenue for the Company. Our revenue streams can be viewed in three distinct categories: Core Revenue, Cost Recovery Revenue, and Ancillary Revenue, which are non-GAAP measures. A reconciliation of Core Revenue, Cost Recovery Revenue, and Ancillary Revenue to total revenue, the most directly comparable financial measures presented in accordance with GAAP, are set forth under "Key performance indicators".

Core Revenue:

- Renewal Commissions - highly predictable, higher-margin revenue stream, which is managed by our service team.
- Renewal Royalty Fees - highly predictable, higher-margin revenue stream, which is managed by our service team. For policies in their first renewal term, we see an increase in our share of royalties from 20% to 50% on the commission paid by the Carriers.
- New Business Commissions - predictable based on agent headcount and consistent ramp-up of agents, but lower margin than Renewal Commissions because of higher commissions paid to agents and higher back-office costs associated with policies in their first term. This revenue stream has predictably converted into higher-margin Renewal Commissions historically, and we expect this to continue moving forward.
- New Business Royalty Fees - predictable based on franchise count and consistent ramp-up of franchises, but lower margin than Renewal Royalty Fees because the Company only receives a royalty fee of 20% on the commissions paid by the Carrier in the first term of every policy and higher back-office costs associated with policies in their first term. This revenue stream has predictably converted into higher-margin Renewal Royalty Fees historically, and we expect this to continue moving forward.
- Agency Fees - although predictable based on agent count, Agency Fees do not renew like New Business Commissions and Renewal Commissions.

Cost Recovery Revenue:

- Initial Franchise Fees - one-time Cost Recovery Revenue stream per franchise unit that covers the Company's costs to recruit, train, onboard, and support the franchise for the first year. These fees are fully earned and non-refundable when a franchise attends our initial training.
- Interest Income - like Initial Franchise Fees, interest income is a Cost Recovery Revenue stream that reimburses the Company for those franchises on a payment plan.

Ancillary Revenue:

- Contingent Commissions - although high margin, Contingent Commissions are unpredictable and susceptible to weather events and Carrier underwriting results. Management does not rely on Contingent Commissions for operating cash flow or budget planning.
- Other Franchise Revenues - book transfer fees, marketing investments from Carriers and other items that are unpredictable and supplemental to other revenue streams.

We discuss below the breakdown of our revenue by stream:

	Three Months Ended June 30,				Six Months Ended June 30,			
(in thousands)	2022		2021		2022		2021	
Core Revenue:								
Renewal Commissions[1]	$14,541	27 %	$10,310	27 %	$24,748	26 %	$18,067	26 %
Renewal Royalty Fees[2]	18,870	36 %	11,670	31 %	32,872	35 %	20,416	29 %
New Business Commissions[1]	6,730	13 %	5,944	16 %	12,097	13 %	10,560	15 %
New Business Royalty Fees[2]	4,821	9 %	3,680	10 %	9,113	10 %	6,837	10 %
Agency Fees[1]	3,114	6 %	3,105	8 %	5,751	6 %	5,529	8 %
Total Core Revenue	48,076	91 %	34,709	91 %	84,581	90 %	61,409	88 %
Cost Recovery Revenue:								
Initial Franchise Fees[2]	2,591	5 %	1,458	4 %	4,887	5 %	2,890	4 %
Interest Income	330	1 %	279	1 %	649	1 %	540	1 %
Total Cost Recovery Revenue	2,921	6 %	1,737	5 %	5,536	6 %	3,430	5 %
Ancillary Revenue:								
Contingent Commissions[1]	1,880	4 %	1,694	4 %	3,678	4 %	4,431	6 %
Other Franchise Revenues[2]	145	— %	33	— %	505	1 %	131	— %
Total Ancillary Revenue	2,025	4 %	1,727	5 %	4,183	4 %	4,562	7 %
Total Revenues	**$53,022**	**100 %**	**$38,173**	**100 %**	**$94,300**	**100 %**	**$69,401**	**100 %**

(1) Renewal Commissions, New Business Commissions, Agency Fees, and Contingent Commissions are included in "Commissions and agency fees" as shown on the Condensed consolidated statements of operations.

(2) Renewal Royalty Fees, New Business Royalty Fees, Initial Franchise Fees, and Other Franchise Revenues are included in "Franchise revenues" as shown on the Condensed consolidated statements of operations.

Consolidated results of operations

The following is a discussion of our consolidated results of operations for each of the three and six months ended June 30, 2022 and 2021. This information is derived from our accompanying condensed consolidated financial statements prepared in accordance with GAAP.

The following table summarizes our results of operations for the three and six months ended June 30, 2022 and 2021 *(in thousands)*:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
Revenues:								
Commissions and agency fees	$ 26,265	50 %	$ 21,053	55 %	$ 46,274	49 %	$ 38,587	56 %
Franchise revenues	26,427	50 %	16,841	44 %	47,377	50 %	30,274	44 %
Interest income	330	1 %	279	1 %	649	1 %	540	1 %
Total revenues	53,022	100 %	38,173	100 %	94,300	100 %	69,401	100 %
Operating Expenses:								
Employee compensation and benefits	31,659	67 %	22,475	65 %	63,143	67 %	43,784	66 %
General and administrative expenses	12,378	26 %	10,134	29 %	25,902	27 %	19,408	30 %
Bad debts	1,660	4 %	646	2 %	2,456	3 %	1,093	2 %
Depreciation and amortization	1,658	4 %	1,132	3 %	3,234	3 %	2,132	3 %
Total operating expenses	47,355	100 %	34,387	100 %	94,735	100 %	66,417	100 %
Loss from operations	5,667		3,786		(435)		2,984	
Other Income (Expense):								
Other income	—		119		—		139	
Interest expense	(1,114)		(546)		(1,997)		(1,147)	
Loss before taxes	4,553		3,359		(2,432)		1,976	
Tax benefit	2,164		223		562		(71)	
Net Income (loss)	2,389		3,136		(2,994)		2,047	
Less: net loss attributable to non-controlling interests	2,047		1,649		(1,050)		956	
Net loss attributable to Goosehead Insurance Inc.	$ 342		$ 1,487		$ (1,944)		$ 1,091	

Revenues

For the three months ended June 30, 2022 revenue increased 39% to $53.0 million from $38.2 million for the three months ended June 30, 2021. For the six months ended June 30, 2022 revenue increased 36% to $94.3 million from $69.4 million for the six months ended June 30, 2021.

Commissions and agency fees

Commissions and agency fees consist of new business commissions, renewal commissions, agency fees, and contingent commissions.

The following table sets forth our commissions and agency fees by amount and as a percentage of our revenues for the periods indicated (*in thousands*):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
Core Revenue:								
Renewal Commissions	14,541	54 %	10,310	49 %	24,748	53 %	18,067	47 %
New Business Commissions	6,730	26 %	5,944	28 %	12,097	26 %	10,560	27 %
Agency Fees	3,114	12 %	3,105	15 %	5,751	12 %	5,529	14 %
Total Core Revenue:	24,385	93 %	19,359	92 %	42,596	92 %	34,156	89 %
Ancillary Revenue:								
Contingent Commissions	1,880	7 %	1,694	8 %	3,678	8 %	4,431	11 %
Commissions and agency fees	**$ 26,265**	**100 %**	**$ 21,053**	100 %	**$ 46,274**	**100 %**	**$ 38,587**	100 %

Renewal Commissions increased by $4.2 million or 41%, to $14.5 million for the three months ended June 30, 2022 from $10.3 million for the three months ended June 30, 2021. Renewal Commissions increased by $6.7 million or 37%, to $24.7 million for the six months ended June 30, 2022 from $18.1 million for the six months ended June 30, 2021. This increase was primarily attributable to an increase in the number of policies in the renewal term from June 30, 2021 to June 30, 2022 plus steady client retention of 89% as of June 30, 2022 and June 30, 2021.

New Business Commission increased by $0.8 million or 13%, to $6.7 million for the three months ended June 30, 2022 from $5.9 million for the three months ended June 30, 2021. New Business Commission increased by $1.5 million or 15%, to $12.1 million for the six months ended June 30, 2022 from $10.6 million for the six months ended June 30, 2021. Revenue from Agency Fees were flat at $3.1 million for the three months ended June 30, 2022 and the three months ended June 30, 2021. Revenue from Agency Fees increased by $0.2 million or 4%, to $5.8 million for the six months ended June 30, 2022 from $5.5 million for the six months ended June 30, 2021. These increases were primarily attributable to a 11% increase in total sales agent head count to 503 at June 30, 2022, from 452 at June 30, 2021.

Revenue from Contingent Commissions increased by $0.2 million, to $1.9 million for the three months ended June 30, 2022 from $1.7 million for the three months ended June 30, 2021. Revenue from Contingent Commissions decreased by $0.8 million, to $3.7 million for the six months ended June 30, 2022 from $4.4 million for the six months ended June 30, 2021. The primary reason for the increase during the three months ended June 30, 2022 was an increase in total written premium on growth based contingency plans.

Franchise revenues

Franchise Revenues consist of Royalty Fees, Initial Franchise Fees, and Other Franchise Revenues.

The following table sets forth our franchise revenues by amount and as a percentage of our revenues for the periods indicated (*in thousands*):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
Core Revenues:								
Renewal Royalty Fees	18,870	71 %	11,670	69 %	32,872	69 %	20,416	67 %
New Business Royalty Fees	4,821	18 %	3,680	22 %	9,113	19 %	6,837	23 %
Total Core Revenues:	23,691	90 %	15,350	91 %	41,985	89 %	27,253	90 %
Cost Recovery Revenues:								
Initial Franchise Fees	2,591	10 %	1,458	9 %	4,887	10 %	2,890	10 %
Ancillary Revenues:								
Other Franchise Revenues	145	1 %	33	— %	505	2 %	131	— %
Franchise revenues	$ 26,427	100 %	$ 16,841	100 %	$ 47,377	100 %	$ 30,274	100 %

Revenue from Renewal Royalty Fees increased by $7.2 million, or 62%, to $18.9 million for the three months ended June 30, 2022 from $11.7 million for the three months ended June 30, 2021. Revenue from Renewal Royalty Fees increased by $12.5 million, or 61%, to $32.9 million for the six months ended June 30, 2022 from $20.4 million for the six months ended June 30, 2021. The increase in revenue from Renewal Royalty Fees was primarily attributable to an increase in the number of policies in the renewal term and steady client retention at 89% as of June 30, 2022 and June 30, 2021.

Revenue from New Business Royalty Fees increased by $1.1 million, or 31%, to $4.8 million for the three months ended June 30, 2022 from $3.7 million for the three months ended June 30, 2021. Revenue from New Business Royalty Fees increased by $2.3 million, or 33%, to $9.1 million for the six months ended June 30, 2022 from $6.8 million for the six months ended June 30, 2021. The increase in revenue from New Business Royalty Fees was primarily attributable to a 25% increase in the total number of operating franchises to 1,344 at June 30, 2022, from 1,072 at June 30, 2021.

Revenue from Initial Franchise Fees increased by $1.1 million, or 69%, to $2.6 million for the three months ended June 30, 2022 from $1.5 million for the three months ended June 30, 2021. Revenue from Initial Franchise Fees increased by $2.0 million, or 69%, to $4.9 million for the six months ended June 30, 2022 from $2.9 million for the six months ended June 30, 2021. The primary reason for this increase is an increase of 30% in total franchises to 2,341 at June 30, 2022, from 1,801 at June 30, 2021 and higher turnover of franchises during the quarter, which accelerates recognition of Initial Franchise Fees for terminated franchises.

Interest income

Interest income increased by $0.1 million, or 18%, to $0.3 million for the three months ended June 30, 2022 from $0.3 million for the three months ended June 30, 2021. Interest income increased by $0.1 million, or 20%, to $0.6 million for the six months ended June 30, 2022 from $0.5 million for the six months ended June 30, 2021. This increase was primarily attributable to additional Franchise Agreements signed under the payment plan option.

Expenses

Employee compensation and benefits

Employee compensation and benefits expenses increased by $9.2 million, or 41%, to $31.7 million for the three months ended June 30, 2022 from $22.5 million for the three months ended June 30, 2021. Employee compensation and benefits expenses increased by $19.4 million, or 44%, to $63.1 million for the six months ended June 30, 2022 from $43.8 million for the six months ended June 30, 2021. The increase is caused by a 25% increase in total headcount from 2021 to 2022, as well as an increase in equity-based compensation of 189% related to stock option awards during the year.

General and administrative expenses

General and administrative expenses increased by $2.2 million, or 22%, to $12.4 million for the three months ended June 30, 2022 from $10.1 million for the three months ended June 30, 2021. General and administrative expenses increased by $6.5 million, or 33%, to $25.9 million for the six months ended June 30, 2022 from $19.4 million for the six months ended June 30, 2021. This increase was primarily attributable to higher costs associated with an increase in operating franchises, total employees, addition of four new corporate office locations, and investments made in technology. Additionally, the Company hosted its annual *Ascend* meeting in February 2022, which did not take place in 2021 due to COVID.

Bad debts

Bad debts increased by $1.0 million, or 157%, to $1.7 million for the three months ended June 30, 2022 from $0.6 million for the three months ended June 30, 2021. Bad debts increased by $1.4 million, or 125%, to $2.5 million for the six months ended June 30, 2022 from $1.1 million for the six months ended June 30, 2021. The increase in bad debts is attributable to an increase in total franchises combined with higher franchise turnover during the year, plus an increase in revenue from Agency fees during the three and six months ended June 30, 2022 from the three and six months ended June 30, 2021.

Depreciation and amortization

Depreciation and amortization increased by $0.5 million, or 46%, to $1.7 million for the three months ended June 30, 2022 from $1.1 million for the three months ended June 30, 2021. Depreciation and amortization increased by $1.1 million, or 52%, to $3.2 million for the six months ended June 30, 2022 from $2.1 million for the six months ended June 30, 2021. This increase was primarily attributable to the increase in fixed assets since June 30, 2021, including the opening of four additional corporate sales offices, expansion of existing corporate offices and computer equipment for additional employees hired.

Interest expense

Interest expenses increased by $0.6 million for the three months ended June 30, 2022, to $1.1 million from $0.5 million for the three months ended June 30, 2021. Interest expenses increased by $0.9 million for the six months ended June 30, 2022, to $2.0 million from $1.1 million for the six months ended June 30, 2021. The primary driver of the increase in interest expense is the increase in total borrowing outstanding.

Key performance indicators

Our key operating metrics are discussed below:

Total Written Premium

Total Written Premium represents for any reported period, the total amount of current (non-cancelled) gross premium that is placed with Goosehead's portfolio of Carriers. Total Written Premium placed is an appropriate measure of operating performance because it reflects growth of our business relative to other insurance agencies.

The following tables show Total Written Premium placed by corporate agents and franchisees for the three and six months ended and 2022 and 2021 *(in thousands)*.

	Three Months Ended June 30,		% Change
	2022	2021	
Corporate sales Total Written Premium	$ 146,844	$ 112,457	31 %
Franchise sales Total Written Premium	419,117	286,464	46 %
Total Written Premium	$ 565,961	$ 398,921	42 %

	Six Months Ended June 30,		% Change
	2022	2021	
Corporate sales Total Written Premium	$ 257,239	$ 201,403	28 %
Franchise sales Total Written Premium	759,634	516,412	47 %
Total Written Premium	$ 1,016,873	$ 717,815	42 %

Policies in Force

Policies in Force means as of any reported date, the total count of current (non-cancelled) policies placed with Goosehead's portfolio of Carriers. We believe that Policies in Force is an appropriate measure of operating performance because it reflects growth of our business relative to other insurance agencies.

As of June 30, 2022, we had 1,181,000 in Policies in Force compared to 1,011,000 as of December 31, 2021 and 872,000 as of June 30, 2021, representing a 17% and 35% increase, respectively.

NPS

Net Promoter Score (NPS) is calculated based on a single question: "How likely are you to refer Goosehead Insurance to a friend, family member or colleague?" Clients that respond with a 6 or below are Detractors, a
score of 7 or 8 are called Passives, and a 9 or 10 are Promoters. NPS is calculated by subtracting the percentage of Detractors from the percentage of Promoters. For example, if 50% of respondents were Promoters and 10% were Detractors, NPS is a 40. NPS is a useful gauge of the loyalty of client relationships and can be compared across companies and industries.

NPS decreased modestly to 90 as of June 30, 2022, from 92 as of June 30, 2021 due to the service team's continued focus on delivering highly differentiated service levels.

Client retention

Client Retention is calculated by comparing the number of all clients that had at least one policy in force twelve months prior to the date of measurement and still have at least one policy in force at the date of measurement. We believe Client Retention is useful as a measure of how well Goosehead retains clients year-over-year and minimizes defections.

Client Retention remained constant at 89% at June 30, 2022 when compared to December 31, 2021, again driven by the service team's continued focus on delivering highly differentiated service levels. For the trailing twelve months ended June 30, 2022, we retained 95% of the premiums we distributed in the trailing twelve months ended June 30, 2021, which increased modestly from the 93% premium retention at December 31, 2021. Our premium retention rate is higher than our Client Retention rate as a result of both premiums increasing year over year and additional coverages sold by our sales and service teams.

New Business Revenue

New Business Revenue is commissions received from the Carrier, Agency Fees received from clients, and New Business Royalty Fees relating to policies in their first term.

For the three months ended June 30, 2022, New Business Revenue grew 15% to $14.7 million, from $12.7 million for the three months ended June 30, 2021. For the six months ended June 30, 2022, New Business Revenue grew 18% to $27.0 million, from $22.9 million for the six months ended June 30, 2021. Growth in New Business Revenue is driven by an increase in Corporate sales agent headcount of 11% and growth in operating franchises of 25%.

Renewal Revenue

Renewal Revenue is commissions received from the Carrier and Renewal Royalty Fees received after the first term of a policy.

For the three months ended June 30, 2022, Renewal Revenue grew 52% to $33.4 million, from $22.0 million for the three months ended June 30, 2021. For the six months ended June 30, 2022, Renewal Revenue grew 50% to $57.6 million, from $38.5 million for the six months ended June 30, 2021. Growth in Renewal Revenue was driven by Client Retention of 89% at June 30, 2022. As our agent force matures, the policies they wrote in prior years begins to convert from New Business Revenue to more profitable Renewal Revenue.

Non-GAAP Measures

Core Revenue, Cost Recovery Revenue, Ancillary Revenue, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EPS are not measures of financial performance under GAAP and should not be considered substitutes for total revenue (with respect to Core Revenue, Cost Recovery Revenue and Ancillary Revenue), net income (with respect to Adjusted EBITDA and Adjusted EBITDA Margin) or earnings per share (with respect to Adjusted EPS), which we consider to be the most directly comparable GAAP measures. We refer to these measures as "non-GAAP financial measures." We consider these non-GAAP financial measures to be useful metrics for management and investors to facilitate operating performance comparisons from period to period by excluding potential differences caused by variations in capital structures, tax position, depreciation, amortization and certain other items that we believe are not representative of our core business. Core Revenue, Cost Recovery Revenue, Ancillary Revenue, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EPS have limitations as analytical tools, and when assessing our operating performance, you should not consider Core Revenue, Cost Recovery Revenue, Ancillary Revenue, Adjusted EBITDA, Adjusted EBITDA Margin, or Adjusted EPS in isolation or as substitutes for total revenue, net income, earnings per share, as applicable, or other consolidated income statement data prepared in accordance with GAAP. Other companies may calculate Core Revenue, Cost Recovery Revenue, Ancillary Revenue, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EPS differently than we do, limiting their usefulness as comparative measures.

Core Revenue

Core Revenue is a supplemental measure of our performance and includes Renewal Commissions, Renewal Royalty Fees, New Business Commissions, New Business Royalty Fees, and Agency Fees. We believe that Core Revenue is an appropriate measure of operating performance because it summarizes all of our revenues from sales of individual insurance policies.

Core Revenue increased by $13.4 million, or 39%, to $48.1 million for the three months ended June 30, 2022 from $34.7 million for the three months ended June 30, 2021. Core Revenue increased by $23.2 million, or 38%, to $84.6 million for the six months ended June 30, 2022 from $61.4 million for the six months ended June 30, 2021. The primary drivers of the increase are increases in operating franchises, corporate agent sales headcount, the number of policies in the renewal term from June 30, 2021 to June 30, 2022, plus continued strong client retention of 89% as of June 30, 2022 and 2021.

Cost Recovery Revenue

Cost Recovery Revenue is a supplemental measure of our performance and includes Initial Franchise Fees and Interest Income. We believe that Cost Recovery Revenue is an appropriate measure of operating performance because it summarizes revenues that are viewed by management as cost recovery mechanisms.

Cost Recovery Revenue increased by $1.2 million, or 68%, to $2.9 million for the three months ended June 30, 2022 from $1.7 million for the three months ended June 30, 2021. Cost Recovery Revenue increased by $2.1 million, or 61%, to $5.5 million for the six months ended June 30, 2022 from $3.4 million for the six months ended June 30, 2021. The primary driver of the increase is an increase in total franchises from June 30, 2021 to June 30, 2022.

Ancillary Revenue

Ancillary Revenue is a supplemental measure of our performance and includes Contingent Commissions and Other Franchise Revenues. We believe that Ancillary Revenue is an appropriate measure of operating performance because it summarizes revenues that are ancillary to our core business**.**

Ancillary Revenue increased by $0.3 million to $2.0 million for the three months ended June 30, 2022 from $1.7 million for the three months ended June 30, 2021. Ancillary Revenue decreased by $0.4 million to $4.2 million for the six months ended June 30, 2022 from $4.6 million for the six months ended June 30, 2021.

Adjusted EBITDA

Adjusted EBITDA is a supplemental measure of our performance. We believe that Adjusted EBITDA is an appropriate measure of operating performance because it eliminates the impact of items that do not relate to business performance. Adjusted EBITDA is defined as net income (the most directly comparable GAAP measure) before interest, income taxes, depreciation and amortization, adjusted to exclude equity-based compensation and other non-operating items, including, among other things, certain non-cash charges and certain non-recurring or non-operating gains or losses.

Adjusted EBITDA increased by $5.7 million, or 85%, to $12.5 million for the three months ended June 30, 2022 from $6.8 million for the three months ended June 30, 2021. Adjusted EBITDA increased by $4.9 million, or 54%, to $13.8 million for the six months ended June 30, 2022 from $8.9 million for the six months ended June 30, 2021. The primary driver of the increase in Adjusted EBITDA during the quarter is growing Core Revenue combined with slower growth in Employee Compensation and Benefits and General and Administrative expenses. The decrease in Adjusted EBITDA for the year-to-date period are increases in General and Administrative expenses driven by the Company's annual meeting and by increases in corporate agent headcount, operating franchises, and investments in technology, as well as decreases in Ancillary Revenue.

Adjusted EBITDA Margin

Adjusted EBITDA Margin is Adjusted EBITDA as defined above, divided by total revenue excluding other non-operating items. Adjusted EBITDA Margin is helpful in measuring profitability of operations on a consolidated level.

For the three months ended June 30, 2022, Adjusted EBITDA Margin was 24% compared to 18% for the three months ended June 30, 2021.For the six months ended June 30, 2022, Adjusted EBITDA Margin was 15% compared to 13% for the six months ended June 30, 2021. The primary drivers of the increase in Adjusted EBITDA Margin are growing Core Revenue combined with slower growth in Employee Compensation and Benefits and General and Administrative expenses.

Adjusted EPS

Adjusted EPS is a supplemental measure of our performance, defined as earnings per share (the most directly comparable GAAP measure) before non-recurring or non-operating income and expenses. Adjusted EPS is a useful measure to management because it eliminates the impact of items that do not relate to business performance.

GAAP to Non-GAAP Reconciliations

The following tables show a reconciliation from Total Revenues to Core Revenue, Cost Recovery Revenue, and Ancillary Revenue for the three and six months ended June 30, 2022 and 2021 *(in thousands)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Total Revenues	$ 53,022	$ 38,173	$ 94,300	$ 69,401
Core Revenue:				
Renewal Commissions(1)	$ 14,541	$ 10,310	$ 24,748	$ 18,067
Renewal Royalty Fees(2)	18,870	11,670	32,872	20,416
New Business Commissions(1)	6,730	5,944	12,097	10,560
New Business Royalty Fees(2)	4,821	3,680	9,113	6,837
Agency Fees(1)	3,114	3,105	5,751	5,529
Total Core Revenue	48,076	34,709	84,581	61,409
Cost Recovery Revenue:				
Initial Franchise Fees(2)	2,591	1,458	4,887	2,890
Interest Income	330	279	649	540
Total Cost Recovery Revenue	2,921	1,737	5,536	3,430
Ancillary Revenue:				
Contingent Commissions(1)	1,880	1,694	3,678	4,431
Other Franchise Revenues(2)	145	33	505	131
Total Ancillary Revenue	2,025	1,727	4,183	4,562
Total Revenues	$ 53,022	$ 38,173	$ 94,300	$ 69,401

(1) Renewal Commissions, New Business Commissions, Agency Fees, and Contingent Commissions are included in "Commissions and agency fees" as shown on the condensed consolidated statements of operations.

(2) Renewal Royalty Fees, New Business Royalty Fees, Initial Franchise Fees, and Other Franchise Revenues are included in "Franchise revenues" as shown on the condensed consolidated statements of operations.

The following tables show a reconciliation from net income to Adjusted EBITDA and Adjusted EBITDA margin for the three and six months ended June 30, 2022 and 2021 *(in thousands)*:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
Net Income	$	2,389	$	3,136	$	(2,994)	$	2,047
Interest expense		1,114		546		1,997		1,147
Depreciation and amortization		1,658		1,132		3,234		2,132
Tax (benefit) expense		2,164		223		562		(71)
Equity-based compensation		5,173		1,852		10,961		3,793
Other (income) expense		—		(119)		—		(139)
Adjusted EBITDA	$	12,498	$	6,770	$	13,760	$	8,909
Adjusted EBITDA Margin[1]		24 %		18 %		15 %		13 %

(1) Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by Total Revenue ($12,498/$53,022), and ($6,770/$38,173) for the three months ended June 30, 2022 and 2021, respectively. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by Total Revenue ($13,760/$94,300), and ($8,909/$69,401) for the six months ended June 30, 2022 and 2021, respectively.

The following tables show a reconciliation from basic earnings per share to Adjusted EPS (non-GAAP basis) for the three and six months ended June 30, 2022. Note that totals may not sum due to rounding:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
Earnings per share - basic (GAAP)	$	0.02	$	0.08	$	(0.10)	$	0.06
Add: equity-based compensation[1]		0.14		0.05		0.30		0.10
Adjusted EPS (non-GAAP)	$	0.16	$	0.13	$	0.20	$	0.16

(1) Calculated as equity-based compensation divided by sum of weighted average Class A and Class B shares [$5.2 million/(20.5 million + 16.7 million)] for the three months ended June 30, 2022 and [$1.9 million/ (18.8 million + 18.0 million)] for the three months ended June 30, 2021. Calculated as equity-based compensation divided by sum of weighted average Class A and Class B shares [$11.0 million/(20.3 million + 16.8 million)] for the six months ended June 30, 2022 and [$3.8 million/ (18.6 million + 18.2 million)] for the six months ended June 30, 2021.

Liquidity and capital resources

Liquidity and capital resources

We have managed our historical liquidity and capital requirements primarily through the receipt of revenues. Our primary cash flow activities involve: (1) generating cash flow from Commissions and Fees, which largely includes New Business Revenue, Renewal Revenue, and Agency Fees; (2) generating cash flow from Franchise Revenues operations, which largely includes Initial Franchise Fees and Royalty Fees; (3) borrowings, interest payments and repayments under our credit agreement; and (4) issuing shares of Class A common stock. As of June 30, 2022, our cash and cash equivalents balance was $31.1 million. We have used cash flow from operations primarily to pay compensation and related expenses, general, administrative and other expenses, debt service, special dividends and distributions to our owners.

Credit agreement

See "Note 7. Debt" in the condensed consolidated financial statements included herein for a discussion of the Company's credit facilities.

Comparative cash flows

The following table summarizes our cash flows from operating, investing and financing activities for the periods indicated *(in thousands):*

	Six Months Ended June 30,		
	2022	**2021**	**Change**
Net cash provided by operating activities	$ 10,092	$ 19,992	$ (9,900)
Net cash used for investing activities	(6,802)	(9,286)	2,484
Net cash used for financing activities	(221)	(416)	195
Net increase in cash and cash equivalents	3,069	10,290	(7,221)
Cash and cash equivalents, and restricted cash, beginning of period	30,479	26,236	4,243
Cash and cash equivalents, and restricted cash, end of period	$ 33,548	$ 36,526	$ (2,978)

Operating activities

Net cash provided by operating activities was $10.1 million for the six months ended June 30, 2022 as compared to net cash provided by operating activities of $20.0 million for the six months ended June 30, 2021. This increase in net cash provided by operating activities was attributable to a decrease in cash provided from commissions and agency fees receivables of $10.0 million as a result of the receipts of contingent commissions during the period and a decrease of $1.1 million in depreciation and amortization related to additional corporate locations, offset by an increase of $1.3 million in prepaid expenses.

Investing activities

Net cash used for investing activities was $6.8 million for the six months ended June 30, 2022, compared to net cash used in investing activities of $9.3 million for the six months ended June 30, 2021. This decrease was driven by decreased expansion of corporate offices in relation to prior years activity.

*Financing activitie*s

Net cash used for financing activities was $0.2 million for the six months ended June 30, 2022 as compared to net cash used for financing activities of $0.4 million for the six months ended June 30, 2021. This decrease in net cash used for financing activities was attributable to proceeds received for Class A common stock.

Future sources and uses of liquidity

Our sources of liquidity are (1) cash on hand, (2) net working capital, (3) cash flows from operations and (4) our revolving credit facility. Based on our current expectations, we believe that these sources of liquidity will be sufficient to fund our working capital requirements and to meet our commitments in the foreseeable future.

We expect that our primary liquidity needs will comprise cash to (1) provide capital to facilitate the organic growth of our business, (2) pay operating expenses, including cash compensation to our employees, (3) make payments under the tax receivable agreement, (4) pay interest and principal due on borrowings under our Credit Agreement (5) pay income taxes, and (6) when deemed advisable by our board of directors, pay dividends.

Dividend policy

There have been no material changes to our dividend policy as described in the Annual Report on Form 10-K.

Tax receivable agreement

We entered into a tax receivable agreement with the Pre-IPO LLC Members on May 1, 2018 that provides for the payment by us to the Pre-IPO LLC Members of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of (i) any increase in tax basis in Goosehead Insurance, Inc.'s assets and (ii) tax benefits related to imputed interest deemed arising as a result of payments made under the tax receivable agreement. See "Item 13. Certain relationships and related transactions, and director independence" of the Annual Report on Form 10-K.

Holders of Goosehead Financial, LLC Units (other than Goosehead Insurance, Inc.) may, subject to certain conditions and transfer restrictions described above, redeem or exchange their LLC Units for shares of Class A common stock of Goosehead Insurance, Inc. on a one-for-one basis. Goosehead Financial, LLC intends to make an election under Section 754 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the “Code”) effective for each taxable year in which a redemption or exchange of LLC Units for shares of Class A common stock occurs, which is expected to result in increases to the tax basis of the assets of Goosehead Financial, LLC at the time of a redemption or exchange of LLC Units. The redemptions or exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Goosehead Financial, LLC. These increases in tax basis may reduce the amount of tax that Goosehead Insurance, Inc. would otherwise be required to pay in the future. We have entered into a tax receivable agreement with the Pre-IPO LLC Members that provides for the payment by us to the Pre-IPO LLC Members of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of (i) any increase in tax basis in Goosehead Insurance, Inc.’s assets resulting from (a) the purchase of LLC Units from any of the Pre-IPO LLC Members using the net proceeds from any future offering, (b) redemptions or exchanges by the Pre-IPO LLC Members of LLC Units for shares of our Class A common stock or (c) payments under the tax receivable agreement and (ii) tax benefits related to imputed interest deemed arising as a result of payments made under the tax receivable agreement. This payment obligation is an obligation of Goosehead Insurance, Inc. and not of Goosehead Financial, LLC. For purposes of the tax receivable agreement, the cash tax savings in income tax will be computed by comparing the actual income tax liability of Goosehead Insurance, Inc. (calculated with certain assumptions) to the amount of such taxes that Goosehead Insurance, Inc. would have been required to pay had there been no increase to the tax basis of the assets of Goosehead Financial, LLC as a result of the redemptions or exchanges and had Goosehead Insurance, Inc. not entered into the tax receivable agreement. Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. While the actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including the timing of redemptions or exchanges, the price of shares of our Class A common stock at the time of the redemption or exchange, the extent to which such redemptions or exchanges are taxable and the amount and timing of our income. See "Item 13. Certain relationships and related transactions, and director independence" of the Annual Report on Form 10-K. We anticipate that we will account for the effects of these increases in tax basis and associated payments under the tax receivable agreement arising from future redemptions or exchanges as follows:

- we will record an increase in deferred tax assets for the estimated income tax effects of the increases in tax basis based on enacted federal and state tax rates at the date of the redemption or exchange;
- to the extent we estimate that we will not realize the full benefit represented by the deferred tax asset, based on an analysis that will consider, among other things, our expectation of future earnings, we will reduce the deferred tax asset with a valuation allowance; and
- we will record 85% of the estimated realizable tax benefit (which is the recorded deferred tax asset less any recorded valuation allowance) as an increase to the liability due under the tax receivable agreement and the remaining 15% of the estimated realizable tax benefit as an increase to additional paid-in capital.

All of the effects of changes in any of our estimates after the date of the redemption or exchange will be included in net income. Similarly, the effect of subsequent changes in the enacted tax rates will be included in net income.

Contractual obligations, commitments and contingencies

The following table represents our contractual obligations as of June 30, 2022, aggregated by type *(in thousands)*.

	Contractual obligations, commitments and contingencies				
(in thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Operating leases(1)	$ 78,219	$ 3,742	$ 19,500	$ 20,588	$ 34,389
Debt obligations payable(2)	96,875	5,625	18,125	73,125	—
Interest expense(3)	26,250	3,919	3,180	19,151	—
Liabilities under the tax receivable agreement(4)	105,311	—	16,553	12,087	76,671
Total	$ 306,655	$ 13,286	$ 57,358	$ 124,951	$ 111,060

(1) The Company leases its facilities under non-cancelable operating leases. In addition to monthly lease payments, the lease agreements require the Company to reimburse the lessors for its portion of operating costs each year. Rent expense was $1.9 million and $1.1 million for the three months ended June 30, 2022 and 2021.
(2) The Company refinanced its credit facilities on July 21, 2021 in the form of a $100 million term loan, and $25 million revolving credit facility, of which $25 million was drawn as of June 30, 2022.
(3) Interest expense includes interest payments on our outstanding debt obligations under our credit agreement. Our debt obligations have variable interest rates. We have calculated future interest obligations based on the interest rate for our debt obligations as of June 30, 2022.
(4) See "Item 2. Management's discussion and analysis of financial condition and results of operation - Tax receivable agreement."

Off-balance sheet arrangements

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources, market or credit risk support, or engage in any activities that expose us to any liability that is not reflected in our condensed consolidated financial statements except for those described under “Contractual obligations, commitments and contingencies” above.

Critical accounting policies

Our discussion and analysis of our consolidated financial condition and results of operations is based upon the accompanying condensed consolidated financial statements and notes thereto, which have been prepared in accordance with GAAP. The preparation of the condensed consolidated financial statements requires us to make estimates, judgments and assumptions, which we believe to be reasonable, based on the information available. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Variances in the estimates or assumptions used to actual experience could yield materially different accounting results. On an ongoing basis, we evaluate the continued appropriateness of our accounting policies and resulting estimates to make adjustments we consider appropriate under the facts and circumstances. There have been no significant changes to our critical accounting policies as disclosed in the Annual Report on Form 10-K.

Recent accounting pronouncements

See "Note 2: Summary of Significant Accounting Policies—Recently Issued Accounting Pronouncements” under Part I, Item 1 of this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our exposure to market risks as described in "Item 7A. Quantitative and qualitative disclosure of market risks" in the Annual Report on Form 10-K.

Item 4. Controls and Procedures

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of June 30, 2022. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

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

PART II

Item 1. Legal Proceedings

The information required by this Item is incorporated by reference to "Part I, Item I, Note 13. Litigation" in the condensed consolidated financial statements included herein.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

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

None.

Subject to the terms of the amended and restated Goosehead Financial, LLC Agreement, each LLC Unit is redeemable (along with the cancellation of the corresponding share of Class B common stock) for one share of Class A common stock.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit 10.1	Separation Agreement, dated May 4, 2022, by and between Goosehead Insurance, Inc. and Michael C. Colby.
Exhibit 31.1	Certifications of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certifications of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, we have duly caused this report to be signed on our behalf by the undersigned thereunto duly authorized.

GOOSEHEAD INSURANCE, INC.

Date: July 27, 2022

By: /s/ Mark E. Jones
Mark E. Jones
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: July 27, 2022

By: /s/ Mark S. Colby
Mark S. Colby
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

SEPARATION AGREEMENT

This Separation Agreement (“***Agreement***”) is entered into by and between Goosehead Insurance, Inc. (the “***Company***”) and Michael C. Colby (“***Employee***”), effective as of the date it is executed by both Parties (the “***Effective Date***”). The Company and Employee are referred to herein individually, as a “***Party***” and collectively, as the “***Parties***.”

WHEREAS, Employee has been employed by the Company as President and Chief Operating Officer for the Company;

WHEREAS, Employee entered into the following agreements with the Company, which shall survive and continue in full force and effect as set forth in Section 8: (a) Alternative Dispute Resolution – Mutual Agreement to Arbitrate Disputes agreement entered into as of May 5, 2016 (“the ***Arbitration Agreement***”), and (b) the Proprietary Information, Non-Competition, and Non-Solicitation Agreement, Intellectual Property, and Non-Solicitation signed by Employee on April 19, 2018 (“***Non-Competition Agreement***”) (collectively, the “***Surviving Agreements***”);

WHEREAS, Employee’s employment and all positions with the Company shall terminate effective May 5, 2022 (the “***Separation Date***”);

WHEREAS, the Parties desire to set forth Employee’s separation benefits and obligations and to finally, fully and completely resolve all matters arising from or during Employee’s employment and separation from employment, any benefits, bonuses and compensation connected with such employment and all other disputes and matters that the Parties may have for any reason; and

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. End of Employee’s Employment. The Parties agree that Employee resigned his employment with the Company effective as of the Separation Date, including all of Employee’s positions as an officer and employee of the Company and any affiliate and committees thereof. Employee shall execute all documents and take such further steps as may be required to effectuate Employee’s separation from the Company. Employee shall not perform any work except as set forth in this Agreement, and shall not make any representations or execute any documents, or take any other actions, on behalf of the Company as of the Separation Date. The Company shall pay Employee for all base salary earned but unpaid through the Separation Date, and shall reimburse Employee for all reasonable business expenses, including business expenses incurred and submitted in accordance with the Company’s expense reimbursement policies. Employee shall continue to receive Employee’s current base salary (unless on an unpaid leave of absence) and other benefits in accordance with the terms of the applicable plan documents up through the Effective Date.

2. Consideration.

(a) Provided that Employee complies with this Agreement and does not revoke Employee’s release of claims under the Age Discrimination in Employment Act pursuant to Section 15, in consideration of Employee’s execution of this Agreement and promises herein, including, without limitation, the release of claims against the Company, the Company shall provide Employee the following:

All vested, outstanding stock option awards granted pursuant to the Stock Option Award Agreement dated April 25, 2018 with a $10.00 exercise price and pursuant to the Stock Option Award Agreement dated April 1, 2020 with a $40.88 exercise price (each an "***Award Agreement***") shall remain outstanding and exercisable until December 31, 2022.

The consideration in Section 2(a) is to herein as the "***Severance Benefits***." Employee acknowledges and agrees that but for this Agreement, Employee is not otherwise entitled to the amounts and benefits set forth in this Section 2(a).

(a) All amounts payable pursuant to Section 2(a) shall be subject to applicable taxes and withholdings. The amounts payable pursuant to Section 2(a) shall not be treated as compensation under the Company's 401(k) Plan or any other retirement plan.

(b) The Company shall have no obligation to provide the benefits described in Section 2 unless Employee timely executes and does not revoke this Agreement. In the event Employee fails to timely execute this Agreement or revokes this Agreement in accordance with Section 15 below, Employee will only receive Employee's base salary through Employee's last day worked (unless on an unpaid leave of absence) any accrued but unused paid time off, and unreimbursed business expenses in accordance with the Company's policies.

(c) Other than the compensation and payments provided for in this Agreement, Employee shall not be entitled to any additional compensation, bonuses, vacation pay, PTO, payments, grants, options or benefits under any agreement or any benefit plan, equity, long term incentive plan, profit sharing, short term incentive plan, severance plan or bonus or any other incentive program established by the Company.

3. Mutual Release of Claims.

(d) Release of Claims by Employee. In consideration of the promises of the Company provided herein, including the Company's mutual release of claims, the consideration provided for in Section 2, and other consideration provided for in this Agreement, that being good and valuable consideration, the receipt, adequacy and sufficiency of which Employee acknowledges, Employee, on Employee's own behalf and on behalf of Employee's agents, administrators, representatives, executors, successors, heirs, devisees and assigns (collectively, the "***Employee Releasing Parties***") hereby fully and forever waives, releases, extinguishes and discharges the Company, its shareholders, its affiliates, subsidiaries and its past, present and future parents, owners, officers, directors, shareholders, members, executives, employees, consultants, independent contractors, partners, agents, attorneys, advisers, insurers, fiduciaries, employee benefit plans, representatives, successors and assigns (each, a "***Company Released Party***" and collectively, the "***Company Released Parties***"), jointly and severally, from any and all claims, rights, demands, debts, obligations, losses, causes of action, suits, controversies, setoffs, affirmative defenses, counterclaims, third party actions, damages, penalties, costs, expenses, attorneys' fees, liabilities and indemnities of any kind or nature whatsoever (collectively, the "***Claims***"), whether known or unknown, suspected or unsuspected, accrued or unaccrued, whether at law, equity, administrative, statutory or otherwise, and whether for injunctive relief, back pay, front pay, fringe benefits, equity, reinstatement, reemployment, compensatory damages, punitive damages, or any other kind of damages, which any of Employee Releasing Parties have, had or may have against any of the Company Released Parties relating to or arising out of any matter arising on or before the date this Agreement is executed by Employee. Such released Claims include, without limitation, (i) all Claims arising out of or in connection with, or in any way related to Employee's employment, compensation, equity, bonuses, commissions, incentive compensation, payments, vacation, leaves of absence, alleged payments, benefits, employment contracts, terms and conditions of employment, severance pay, and any other benefits Employee may or may not have

received during Employee's employment with the Company (or any Released Party), (ii) all Claims arising at law or equity or sounding in contract (express or implied) or tort, including Claims for wrongful discharge, libel, slander, breach of express or implied contract or implied covenant of good faith and fair dealing, (iii) Claims arising by statute, common law or otherwise, including all Claims arising under any federal, state, local, county or municipal laws of any jurisdiction, (iv) Claims for alleged fraud, concealment, negligence, negligent misrepresentation, promissory estoppel, quantum meruit, intentional or negligent infliction of emotional distress, violation of public policy, (v) Claims for discrimination, harassment, sexual harassment or retaliation and Claims arising under any laws that prohibit discrimination, harassment or retaliation based on age, sex, gender, pregnancy, sexual orientation, race, color, ancestry, national origin, alienage or citizenship status, religion, creed, disability, medical leave, military status, veteran status, marital status, genetic information, the filing of or intent to file a workers' compensation claim, or any other protected trait, characteristic, or activity, including, without limitation, the Age Discrimination in Employment Act of 1967, as amended, the Americans with Disabilities Act of 1990, as amended, the Rehabilitation Act of 1973, Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C.
§1981, the Civil Rights Act of 1991, the Civil Rights Act of 1866 and/or 1871, the Equal Pay Act of 1963, the Lilly Ledbetter Fair Pay Act of 2009, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, as amended, the Family and Medical Leave Act of 1993, the Occupational Safety and Health Act, the Employee Polygraph Protection Act, the Uniformed Services Employment and Reemployment Rights Act, the Worker Adjustment and Retraining Notification Act, the Genetic Information Nondiscrimination Act, the National Labor Relations Act, the Labor Management Relations Act, the Immigration Reform and Control Act, the Texas Labor Code, the Texas Payday Law, the Texas Commission on Human Rights or Chapter 21, any statute or laws of the State of Texas or any other federal, state, local, municipal or common law whistleblower, discrimination or anti-retaliation statute law or ordinance, and (vi) any other Claims arising under state, federal, local, municipal or common law, as well as any expenses, costs or attorneys' fees.

Except as required by law, Employee agrees that Employee will not commence, maintain, initiate, or prosecute, or cause, encourage, assist, volunteer, advise or cooperate with any other person to commence, maintain, initiate or prosecute, any action, lawsuit, proceeding, charge, petition, complaint or Claim before any court, agency or tribunal against the Company or any of the Company Released Parties arising from, concerned with, or otherwise relating to, in whole or in part, Employee's employment, the terms and conditions of Employee's employment, or Employee's separation from employment with the Company or any of the matters or Claims discharged and released in this Agreement. Employee represents that Employee has not filed any complaints, charges or lawsuits against the Company with any governmental agency or any court based on Claims that are released and waived by this Release.

(e) By the Company. In consideration of the mutual promises contained in this Agreement, including Employee's release of claims, which is in addition to anything of value to which the Company is already entitled, the Company, on behalf of itself and all of its parents, divisions, subsidiaries, affiliates, joint venture partners, partners, and related companies, and their present and former agents, executives, employees, officers, directors, attorneys, stockholders, plan fiduciaries, successors and assigns, irrevocably and unconditionally releases, waives, and forever discharges, Employee and Employee heirs, executors, successors and assigns (the "***Employee Released Parties***"), from any and all claims, demands, actions, causes of action, costs, fees, and all liability whatsoever, whether known or unknown, fixed or contingent, which the Company has, had, or may have against the Employee Released Parties relating to or arising out of Employee's employment, compensation and terms and conditions of employment or separation from employment up through the Effective Date. This release includes, without limitation, claims at law or equity or sounding in contract (express or implied) or tort, claims arising under any federal, state or local laws, or any other statutory or common law claims related to relating to or arising out of Employee's employment or separation from employment for any period up to and including the date this Agreement is signed by the Parties.

(f) Claims Excluded from Release. Notwithstanding the above, the Parties agree that the Parties' respective release of claims shall not include any of the following claims or rights:

1. Claims a Company Released Party may have relating to or arising out of any illegal conduct, fraud or breach of fiduciary duty by Employee or any action(s) from a government agency arising from or relating to Employee's actions or inactions. The Company represents that it is not aware of any such claims, or facts giving rise to such claims, as of the Effective Date of this Agreement.

2. Vested benefits Employee may have under any employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended (which includes Employee's 401(k) account).

3. Any claim which may not be waived by applicable law, which includes Employee's rights to benefit continuation coverage under the Consolidated Omnibus Budget Reconciliation Act.

4. The Parties' obligations under this Agreement.

5. Any claims arising after the date this Agreement is executed by the Parties.

6. Any claims Employee may have for indemnification and defense under directors and officers insurance (or similar insurance) or the By-laws.

7. Any claims Employee may have as a shareholder of the Company.

4. No Interference. Nothing in this Agreement is intended to interfere with a Party's right to report possible violations of federal, state or local law or regulation to any governmental or law enforcement agency or entity, or to make other disclosures that are protected under the whistleblower provisions of federal or state law or regulation. The Parties acknowledge that nothing in this Agreement
(a) is intended to interfere with a Party's right to file a claim or charge with, or testify, assist, or participate in an investigation, hearing, or proceeding conducted by, the Equal Employment Opportunity Commission (the "***EEOC***"), the Securities Exchange Commission ("***SEC***"), the National Labor Relations Board ("***NLRB***"), any state human rights commission, or any other government agency or entity charged with enforcement of any laws, (b) limits Employee's right to challenge the validity of the waiver of claims under the ADEA, or (c) limits Employee from exercising rights, if any, under Section 7 of the NLRA to engage in protected, concerted activity with other employees. In making such disclosures, a Party need not seek prior authorization from the other Party, and is not required to notify the other Party of any such reports, disclosures or conduct. However, by executing this Agreement, Employee hereby waives the right to recover any damages or benefits in any proceeding Employee may bring before the EEOC, the NLRB, any state human rights commission, or any other government agency or entity or in any proceeding brought by the EEOC, NLRB any state human rights commission, or any other government agency or entity on Employee's behalf with respect to any Claim released in this Agreement; *except for* any right Employee may have to receive a payment or award from a government agency (and not the Company) for information provided to the government agency or otherwise where prohibited.

5. Known Violations. Employee agrees that, to the extent Employee is aware of conduct by anyone while employed by or representing the Company that gives Employee a belief, concern or suspicion that a violation of any state or federal law, regulation (particularly involving employment, securities (including, but not limited to, the Investment Advisors Act of 1940, Securities Act of 1933, and/or Securities Exchange Act of 1934), tax, and/or real property), or any policy of the Company, Employee has reported such belief, concern or suspicion to the General Counsel of the Company. If Employee has not reported this information as of the date of this Agreement, Employee agrees Employee does not know of any such conduct. Employee understands that the Company has a strict policy against retaliation for reporting such information, and Employee has not withheld such information by reason of any concerns about retaliation. Employee acknowledges and understands that nothing in this provision is intended to interfere with Employee's right to engage in the conduct outlined in Section 4.

6. Return of Company Property. Within 7 business days following the Separation Date, Employee shall, to the extent not previously returned or delivered, without copying or retaining any copies:
(a) return all equipment, records, files, documents, data, computer programs, programs or other materials and property in Employee's possession which belong to the Company or any one or more of its affiliates, including, without limitation, all computer access codes, credit cards, cell phones, laptops, computers and related equipment, keys and access cards; and (b) deliver all original and copies of Confidential Information (defined below) notes, materials, records, reports, plans, data or other documents, files or programs (whether stored in paper form, computer form, digital form, electronically or otherwise or on Employee's personal computer or any other media) that relate or refer to (1) the Company or any one or more of its affiliates, or (2) the Company's or any one or more of its affiliates' Confidential Information, financial information, financial data, financial statements, personnel information, business information, strategies, sales, customers, suppliers or similar information. Should Employee later discover additional items described or referenced in subsections (a) or (b) above, Employee will promptly notify the Company and return/deliver such items to the Company. Employee agrees to execute any such documents requested by the Company confirming that Employee has complied in all regards with this Section 6. The Company agrees that to the extent Employee has any personal information on Employee's laptop returned to the Company, the Company will treat it as confidential.

7. Mutual Non-Disparagement. Employee agrees that the Company's goodwill and reputation are assets of great value to the Company which have been obtained and maintained through great costs, time and effort. Therefore, Employee shall not in any way disparage, libel or defame the Company, its business or business practices, its products or services, or its shareholders, owners, managers, officers, directors, employees, investors or affiliates. The Company agrees that its executive officers and managing directors shall not in any way disparage, libel or defame Employee.

The rights afforded the Parties under this provision are in addition to any and all rights and remedies otherwise afforded by law. This provision shall not preclude the Parties from providing truthful testimony in a court of law, administrative or arbitral proceeding or a government investigation (including without limitation depositions in connection with such proceeding). Nothing in this Section 7 is intended to interfere with a Party's rights in Section 4.

8. Surviving Agreements. Employee and the Company agree that the Surviving Agreements survive the termination of Employee's employment and shall remain in full force and effect as set forth in the Surviving Agreements. Employee reaffirms and agrees to honor and abide by the terms of the Surviving Agreements; *provided that*, the Parties agree that Employee may hire and employ his executive assistant, Madde Borg and that such hiring and employment shall not constitute a violation of the Non-Competition Agreement or this Agreement.

9. Cooperation. As a further material inducement to the Company to provide Employee the consideration provided for in Section 2 and subject to Section 4, Employee agrees (A) to be reasonably available to the Company or its representatives (including attorneys) to provide general advice or assistance as requested by the Company through the Separation Date, and (B) to cooperate and provide reasonable assistance, at the request of the Company, in any and all investigations or other legal, equitable or business matters or proceedings which involve any matters for which Employee worked on or had responsibility during Employee's employment with the Company. This includes but is not limited to testifying (and preparing to testify) as a witness in any proceeding or otherwise providing information or reasonable

assistance to the Company in connection with any investigation, claim or suit, and cooperating with the Company regarding any investigation, litigation, claims or other disputed items involving the Company that relate to matters within the knowledge or responsibility of Employee. Specifically, Employee agrees
(i) to meet with the Company's representatives, its counsel or other designees at reasonable times and places with respect to any items within the scope of this provision; (ii) to provide truthful testimony regarding the same to any court, agency or other adjudicatory body; (iii) to provide the Company with immediate notice of contact or subpoena by any non-governmental party; and (iv) to not voluntarily assist any non- governmental adverse party or such non-governmental adverse party's representatives. Employee acknowledges and understands that Employee's obligations of cooperation under this Section 9 are not limited in time and may include, but shall not be limited to, the need for or availability for testimony. Employee shall receive no additional compensation for time spent assisting the Company pursuant to this Section 9 other than the compensation and benefits provided for in this Agreement, provided that Employee shall be entitled to be reimbursed for any reasonable out-of-pocket expenses incurred in fulfilling Employee's obligations pursuant to subsections (i) and (ii) above. Nothing in this Section 9 is intended to interfere with Employee's rights in Section 4.

10. Reference. The Company agrees to provide a neutral reference regarding Employee's employment with the Company, providing Employee's duties, salary and dates of employment in accordance with the Company's policy.

11. No Assignment of Claims. Employee represents that Employee has not transferred or assigned, to any person or entity, any claim involving the Company or the Released Parties, or any portion thereof or interest therein. The Parties acknowledge and agree that nothing in this Agreement shall prohibit payment of any amounts due to Employee under this Agreement to Employee's estate or legal guardian.

12. Arbitration; Controlling Law and Venue; Waiver of Jury Trial. The Arbitration Agreement shall govern any and all disputes that arise out or relate to this Agreement. This Agreement shall in all respects be interpreted, enforced, and governed under the laws of the State of Texas, without regard to any conflict of law principles. The Company and Employee agree that the language in this Agreement shall, in all cases, be construed as a whole, according to its fair meaning, and not strictly for, or against, either of the Parties. To the extent any claim or dispute is not covered by the Arbitration Agreement, exclusive venue of any claim or dispute shall be in a state district court of competent jurisdiction in Tarrant County, Texas, or the United States District Court for the Northern District of Texas, and Employee consents to the jurisdiction of such courts.

WITH RESPECT TO ANY DISPUTE BETWEEN EMPLOYEE AND THE COMPANY ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY RELATED TO THIS AGREEMENT AND WHICH IS NOT COVERED BY THE ARBITRATION AGREEMENT, EMPLOYEE AGREES TO RESOLVE SUCH DISPUTE(S) BEFORE A JUDGE WITHOUT A JURY. EMPLOYEE HAS KNOWLEDGE OF THIS PROVISION AND AGREES TO HEREBY WAIVE EMPLOYEE'S RIGHT TO TRIAL BY JURY AND AGREES TO HAVE ANY DISPUTE(S) ARISING BETWEEN THE COMPANY AND EMPLOYEE ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY RELATED TO THIS AGREEMENT RESOLVED BY A JUDGE OF A COMPETENT COURT IN TARRANT COUNTY, TEXAS, OR THE UNITED STATES DISTRICT COURT FOR THE NOTHERN DISTRICT OF TEXAS SITTING WITHOUT A JURY.

13. Severability. Should any provision of this Agreement be declared or determined to be illegal or invalid by any government agency or court of competent jurisdiction, the validity of the remaining parts, terms or provisions of this Agreement shall not be affected and such provisions shall remain in full force and effect. Upon any finding by any government agency or court of competent jurisdiction that Section 3 above is illegal or invalid, Employee agrees to execute a valid and enforceable general release.

14. **Breach of Agreement.** In the event Employee materially breaches any portion, or challenges the enforceability, of this Agreement, Employee (i) forfeits all Severance Benefits from the date of such breach or threatened breach; *provided that* (A) the Company provides Employee 7 days written notice ("***Notice Period***") to Employee's personal email address on file with the Company and his counsel, Donnie Kaczkowski at dak@mcdonaldlaw.com, explaining the alleged breach or threatened breach, and (B) Employee does not promptly thereafter cure any curable breach during the Notice Period, (ii) pay the Company for all attorneys' fees, expenses and costs the Company incurs in any action arising out of Employee's breach or threatened breach of this Agreement if the Company prevails in any such action, and (iii) pay the Company for any and all other damages to which the Company may be entitled at law or in equity as a result of a breach of this Agreement. Employee acknowledges and agrees that Employee will not, and may not, exercise any stock options under an Award Agreement during the Notice Period. In addition, Employee acknowledges and agrees that the Company may withhold from any payments due under this Agreement any amounts owed by Employee to the Company. In the event the Company materially breaches this Agreement, then the Company shall pay for Employee's attorneys' fees, expenses and costs incurred in any action arising out of the Company's material breach or threatened breach of this Agreement if the Employee prevails in any such action.

15. **Knowing and Voluntary Waiver of Age Claims; Time for Consideration.** Employee, by Employee's free and voluntary act of signing below, acknowledges that (a) Employee has been given a period of 21 days ("***Review Period***") to consider whether to agree to the terms contained in this Agreement, (b) the Company is advising and has advised Employee in writing (*i.e.*, through this Agreement) to consult with an attorney of Employee's own choosing at Employee's cost, regarding the effect of this Agreement, and Employee has had a reasonable opportunity to do so, if so desired, (c) Employee understands that this Agreement specifically releases and waives all rights and claims Employee may have under the Age Discrimination in Employment Act ("***ADEA***") prior to the date on which Employee signs this Agreement, (d) that Employee is receiving valid consideration for this Agreement that is in addition to anything of value to which Employee is otherwise entitled, and (e) Employee understands the terms of this Agreement and knowingly and voluntarily agrees to all of the terms of this Agreement and intends to be legally bound thereby. The Parties agree that any changes to this Agreement, whether material or immaterial, will not restart the running of the Review Period. Employee may execute this Agreement anytime during the Review Period. Employee shall return the executed copy of this Agreement to the Company, ATTN: P. Ryan Langston, Vice President and General Counsel, ryan.langston@goosehead.com, before the end of the Review Period. If Employee does not execute this Agreement before the expiration of the Review Period, then the Agreement is withdrawn without notice and the Company's offer to provide the benefits provided for in Section 2 will become null and void.

This Agreement will become effective, enforceable and irrevocable as to Employee's release of any claims Employee may have under the Age Discrimination in Employment Act on the eighth day after the date on which it is executed by Employee ("***Age Release Date***"). During the seven-day period prior to the Age Release Date ("***Revocation Period***"), Employee may revoke Employee's agreement to release any claims Employee may have under the Age Discrimination in Employment Act, and any amendments thereto, by indicating in writing to Company, ATTN: P. Ryan Langston, Vice President and General Counsel, ryan.langston@goosehead.com, Employee's intention to revoke before the end of such ("***Revocation Period***"). If Employee exercises Employee's right to revoke hereunder, Employee shall forfeit Employee's right to receive the consideration provided for in Section 2(a).

16. **No Admission of Liability.** This Agreement shall not in any way be construed as an admission by the Company or Employee of any acts of wrongdoing or violation of any statute, law, or legal right. Rather, the Parties specifically deny and disclaim that either has any liability to the other, but are willing to enter this Agreement at this time to definitely resolve once and forever this matter and to avoid the costs, expense, and delay of litigation.

17. **Binding Effect of Agreement.** This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors, assigns, executors, administrators, heirs and estates. The Released Parties are third-party beneficiaries of this Agreement.

18. **Entire Agreement.** This Agreement and the Surviving Agreements constitute the entire agreement and understanding between the Parties with respect to the subject matter hereof, and fully supersede all prior and contemporaneous negotiations, understandings, representations, writings, discussions and/or agreements between the Parties, whether oral or written, pertaining to or concerning the subject matter of this Agreement. No oral statements or other prior written material not specifically incorporated into this Agreement shall be of any force and effect, and no changes in or additions to this Agreement shall be recognized, unless incorporated into this Agreement by written amendment, such amendment to become effective on the date stipulated in it. Any amendment to this Agreement must be signed by all Parties to this Agreement.

19. **Disclaimer of Reliance.** Except for the specific representations expressly made by the Company in this Agreement, Employee specifically disclaims that Employee is relying upon or has relied upon on any communications, promises, statements, inducements, or representation(s) that may have been made, oral or written, regarding the subject matter of this Agreement. The Parties represent that they are relying solely and only on their own judgment in entering into this Agreement. Therefore, Employee understands that Employee is precluded from bringing any fraud or similar claim against the Company associated with any such communications, promises, agreements, statements, inducements, understandings, or representations. In addition, Employee acknowledges and agrees that the Company has not made any warranty or representation to Employee with respect to the income tax consequences of this Agreement or any of the transactions contemplated herein, and Employee further represents that Employee is in no manner relying on the Company or any of its' respective directors, managers, officers, employees or authorized representatives (including attorneys, accountants, consultants, bankers, lenders, prospective lenders, or financial representatives) for tax advice or an assessment of such tax consequences.

20. **Employee Acknowledgments and Representations.**

Employee acknowledges and represents that Employee has not been denied any leave, benefits or rights to which Employee may have been entitled under any other federal or state law.

Employee acknowledges and represents that, as of the date of this Agreement and except as expressly provided in this Agreement, Employee has been paid all wages, bonuses, compensation, equity and benefits related to Employee's employment, with the exception of any right Employee may have under the terms of a written ERISA qualified benefit plan or this Agreement.

Employee warrants and represents that Employee has not taken any Confidential Information for any purpose not permitted in this Agreement or necessary to perform Employee duties under this Agreement.

Employee acknowledges and represents that Employee has not suffered any on the job injury for which Employee has not already filed a claim.

Employee acknowledges that neither this Agreement nor the Company's offer to enter into this Agreement constitutes an admission of any liability or unlawful conduct or discriminatory acts of any kind by the Company or any Released Party, or anyone acting under their supervision or on their behalf.

Employee acknowledges and represents that Employee has had the opportunity to provide the Company with written notice of any and all concerns regarding suspected ethical and/or compliance issues or violations on the part of the Company or any other Released Parties.

21. **<u>No Waiver</u>.** Failure of the Company to exercise and/or delay in exercising any right, power or privilege in this Agreement shall not operate as a waiver. No waiver of the Company's rights hereunder shall be effective unless it is in writing and signed by the Company. The Company's waiver of any provision of the Agreement shall not constitute (i) a continuing waiver of that provision, or (ii) a waiver of any other provision of this Agreement. Furthermore, no waiver of any breach of any provision shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision.

22. **<u>Counterparts</u>.** This Agreement may be executed by the Parties in multiple counterparts, whether or not all signatories appear on these counterparts (including via electronic signatures and exchange of PDF documents via email), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[*Remainder of Page Intentionally Left Blank*]

By executing this Agreement, Employee acknowledges that: (i) Employee has considered the terms of this Agreement; (ii) Employee has been advised to consult with an attorney prior to executing this Agreement and, in fact, have consulted with an attorney before executing this Agreement or intentionally elected not to do so; (iii) Employee has read this Agreement and fully understand its terms and their import; (iv) except as provided for in this Agreement, Employee has no contractual right or claim to the benefits described herein; (v) the consideration provided for herein is good and valuable; and (vi) Employee is entering into this Agreement voluntarily, deliberately of Employee's own free will, with all the information needed to make an informed decision to enter this Agreement, and without any coercion, undue influence, threat, or intimidation of any kind or type whatsoever.

ACCEPTED AND AGREED TO BY: EMPLOYEE

By: /s/ Michael C. Colby

Date: 5/4/2022

GOOSEHEAD INSURANCE, INC.

By: /s/ P. Ryan Langston

Title: General Counsel

Date: 5/3/2022

Exhibit 31.1

Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Mark E. Jones, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Goosehead Insurance, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company'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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company 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 company, 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the company'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 company's internal control over financial reporting that occurred during the company'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 company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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: July 27, 2022

/s/ Mark E. Jones

Mark E. Jones
Chief Executive Officer

Exhibit 32

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

The certification set forth below is being submitted in connection with Goosehead Insurance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Mark E. Jones, the Chief Executive Officer and Mark S. Colby, the Chief Financial Officer of Goosehead Insurance, Inc., each certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Goosehead Insurance, Inc.

Date: July 27, 2022

/s/ Mark E. Jones
Mark E. Jones
Chief Executive Officer

Date: July 27, 2022

/s/ Mark S. Colby
Mark S. Colby
Chief Financial Officer

Exhibit 31.2

Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Mark S. Colby, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Goosehead Insurance, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company'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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company 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 company, 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the company'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 company's internal control over financial reporting that occurred during the company'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 company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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: July 27, 2022

/s/ Mark S. Colby
Mark S. Colby
Chief Financial Officer